SASKATCHEWAN WHEAT POOL

POOL

Path to Performance

2004 ANNUAL REPORT

Foreword

TERRY BAKER, PRESIDENT AND CHAIRMAN OF THE BOARD

Saskatchewan Wheat Pool has a lot to be proud of looking back at fiscal 2004, the 80th year in our history. We achieved significant improvements in our financial results in each quarter, with the full year showing our first profit since 1998.

We set our expectations high and exceeded them. We advanced our strategic priorities on all fronts, and thanks to the commitment of the Board, management, employees and our customers we met the challenges of today's marketplace and of our unpredictable weather with impressive determination.

Focusing on our core assets of grain handling, agri-products, and oat milling, our company improved existing programs and services, introduced new innovations, and strengthened our longstanding tradition of delivering genuine value to our members and customers – something very close to my heart.

As the Pool seeks ways to achieve sustained profitability, our commitment to producers continues. Employees demonstrate this each and every day, as they work with industry partners to secure export demand and new supply opportunities for the grain delivered through our system, and as they provide producers with crop production solutions that are tailored to their needs.

We are a renewed company, more committed than ever to a high level of customer-oriented service and superior business relationships. This year's launch of the Pool's enhanced Code of Business Conduct shows the great importance we place on honesty, fairness and integrity. The Code provides employees with a process for reporting violations, including an independently monitored confidential Code of Business Conduct report line. These changes reflect the commitment of our Board and senior management to support our employees and foster healthy work environments and quality business relationships.

Without the strength and support of our people, we would not be able to take the Pool to its next level. The accomplishments profiled in the Annual Report demonstrate why today's Pool is on a clear and decisive path to improved performance.

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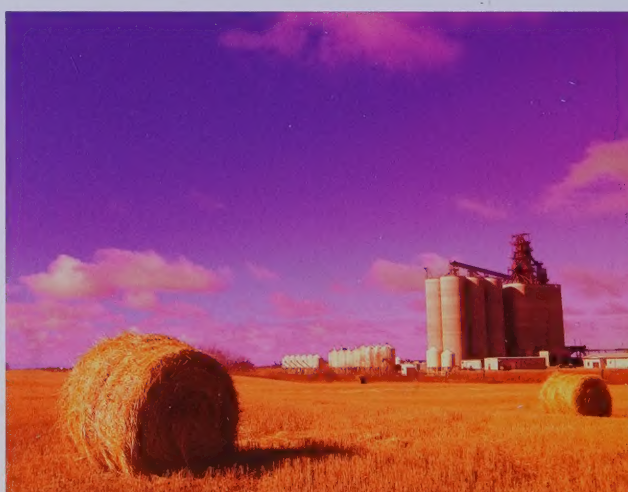


Highlights

EBITDA from continuing operations was $87 million in fiscal 2004 compared to $23 million in fiscal 2003.

NET INCOME of $5 million was the Pool's first bottom line net income since 1998. In fiscal 2003, the Pool lost $34 million in the first half of the year and $16 million in the second half of the year.

CASH FLOW from continuing operations for 2004 was $59 million; in 2003, the Pool had negative cash flow of $22 million in the first half of the year and $8 million in positive cash flow in the last six months.

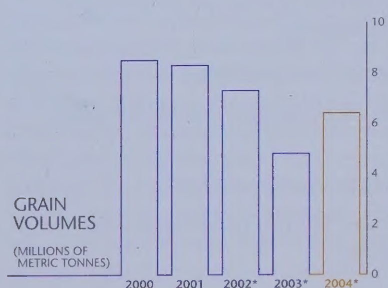
The Pool's core businesses experienced a marked recovery in fiscal 2004:

AGRI-PRODUCTS SALES rose 4% year-over-year.

AGRI-PRODUCTS EBITDA grew 36% to $32 million.

GRAIN SHIPMENTS rose 34% and the average gross margin per tonne increased to $21.00 versus $15.50 last year.

GRAIN HANDLING AND MARKETING EBITDA in fiscal 2004 was $60 million versus $0.8 million in 2003.



* drought reduced volumes

Letter from the CEO

Mayo Schmidt
Chief Executive Officer

Last year, the Pool launched a four-part strategy squarely focused on the areas of our business where we enjoy sustainable competitive advantages and the best prospects for long-term, profitable growth.

One year later, we have significantly advanced the Pool on its path to performance. We have sharpened our focus on our core businesses and achieved major improvements – in the capacity utilization of our facilities, in customer relationships, and in enhancing the margins that we generate from every stage of our commodity pipelines. These actions are the direct result of the effort and dedication of the Pool's nearly 1,600 employees who maintained our momentum through some very challenging yet rewarding times.

To each of them, I would like to express my most heartfelt thanks and appreciation for a job well done. I would also like to convey my gratitude to the thousands of farmers whose continued patronage has been so vital to our progress. And finally, thanks to the many suppliers, food processors and destination customers whose partnerships are giving the Pool more opportunities to create value for all our stakeholders.

A return to profitability

The Pool generated a $5 million profit in fiscal 2004, the first bottom line net income since 1998. In fiscal 2003, the Pool lost $34 million in the first six months and an additional $16 million in the last six months. Equally important was the substantial increase in cash flow generated in 2004. The Pool posted cash flow from continuing operations of $59 million or $0.28 per share in fiscal 2004 and free cash flow of $41 million. These results reflect a significant earnings recovery in our core businesses after three years of severe drought along with a number of one-time contributions from work our management team finalized during the year.

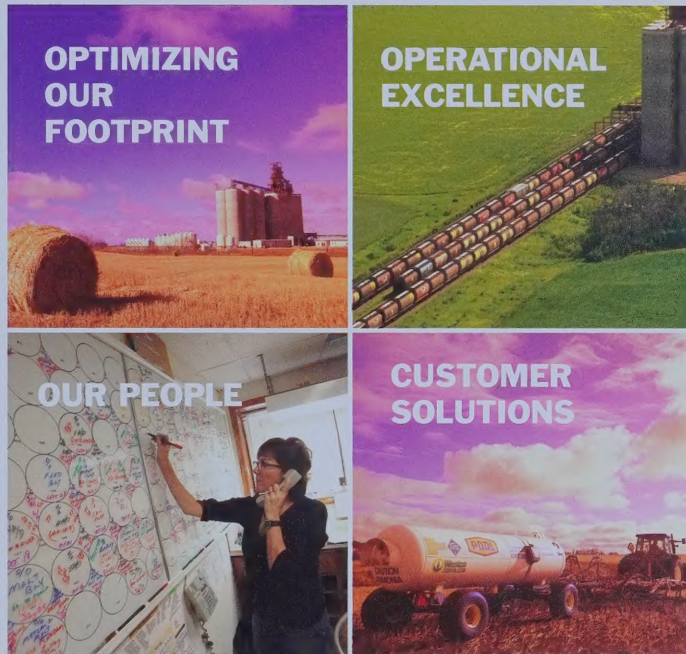
While fiscal 2004 was a year of recovery, we still have work ahead of us. Industry conditions have yet to return to a level that will allow us to take full advantage of our transformation – but we are optimizing those factors within the Pool's control. We are preparing for new opportunities after four years of defensive tactics that were essential to preserving the Pool and its 80 years of history.

The path to better performance

The Pool's business model focuses all of our activities through a dynamic commodity pipeline, one that when properly managed can yield a growing number of profitable opportunities to add value and strengthen our pivotal position between farmers and destination customers. Doing that requires:

- a strategic focus on our core grain handling, agri-products and agri-food operations,
- completion of our transition from a traditional grain handler to value-added marketer of high-quality agricultural products on behalf of our farming customers,
- a steadfast commitment to destination customers' requirements to drive demand, and
- cultivation of direct links, strategic alliances and supply agreements with destination customers and other industry players to generate additional value for Pool stakeholders.

The successful execution of these core business strategies requires a persistent focus on four key priorities.



Our strategic priorities reflect our commitment to long-term value creation and provide a clear path to improve financial and operational performance.

1

Optimizing our footprint. Western Canadian agriculture is more dynamic today than it has ever been. It is an industry in transition but one that is deeply rooted in its past. It is an industry that requires bold moves to facilitate change. Transportation deregulation, system rationalization, consolidation of competitors, consistent crop production, and more flexible marketing opportunities are all important elements to the long-term success of the industry.

At the Pool, our goal is to proactively align our assets with changing market conditions in a way that allows us to maximize the economic value of our activities. During the past year, evidence of this strategic priority could be seen through a number of important initiatives.

We have invested selectively to expand key assets. Take, for example, our Vancouver terminal. This plant is one of the most profitable links in our commodity pipeline and an increasingly important gateway to the Pacific Rim, where demand for Canadian grains and specialty crops continues to rise. It is the centre of the hourglass, through which a large portion of the Pool's grains and oilseeds flow to destination customers around the world.

As such, we are modernizing our Vancouver terminal with a multi-phase capital upgrade that will take place over the next five years at a total cost of $22 million. The first phase was completed in August 2004. The Pool has enhanced its rail receiving system thereby increasing throughput capacity and speed by up to 20%. A concurrent upgrade of dust control systems, plant automation and cleaning systems will set the stage for even higher productivity and will help support our quality commitments to end-use customers.

We have also secured multi-year terminal handling agreements with several Prairie competitors who require port terminal capacity to export their products. As a result, we have increased capacity utilization and throughput potential at our wholly owned port terminals in Vancouver and Thunder Bay. These contracts represent up to 1.2 million tonnes annually to the Pool.

We continue to refine our four-wall continuous improvement model, an annual valuation assessment of all our assets that allows us to monitor and improve the performance of our facilities with unprecedented discipline. We look at customer buying trends, crop mix and distribution, as well as changes in the competitive landscape to identify opportunities to capture market share. In 2004, we upgraded and aligned fertilizer blending, loading and storage facilities at 36 sites and identified four projects to relocate and consolidate existing farm service centres to concrete terminal sites. We are better aligning our agri-products assets to meet growing customer demand in specific markets.

Optimizing our footprint has also meant withdrawing from facilities or markets where the Pool cannot develop a sustainable competitive advantage. In June 2004, we completed the divestiture of our 50% ownership in a port terminal facility in Manzanillo, Mexico.

The Pool also exited the hog production, feed processing and aquaculture industries because of significant ongoing industry risks that resulted in disappointing operating results.

2

Operational excellence. Excellence is a priority for the Pool that drives our financial and operational performance. It is a mindset. In our grain handling business, we have enhanced margins by carefully monitoring end-use demand, trading higher valued commodities like malt barley and improving the productivity of our people, our systems and our facilities.

Transportation remains a key competitive advantage for the Pool. We possess 40% of the 100-car loading capacity in Western Canada – a distinct benefit as we work closely with the railways to employ complementary strategies to increase the efficiency of the grain transportation system and further strengthen our value to producers. On average, 92% of our shipments moved in multi-car unit trains in fiscal 2004; 71% were loaded onto 50- or 100-car trains. We utilize the financial incentives provided by the rail companies to attract farmers' grain into our system and to improve both their bottom line and ours.

We also made significant gains in terms of shipping accuracy. During fiscal 2004, we achieved shipping accuracy on 93% of our Canadian Wheat Board shipments, substantially better than the industry, which averaged 83%. Equally important to logistical success is our unprecedented focus on just-in-time inventory management. Transit times are managed carefully to match country deliveries with the arrival of vessels at port. At the same time, over 75% of all shipments contained mixed commodities. This allowed us to utilize rail equipment efficiently while meeting multiple sales commitments to destination customers.

Quality is, and will continue to be, an important element in our drive for operational excellence. Our implementation of the Pool's Quality Management System, which is comprised of both ISO (International Organization for Standardization) and HACCP (Hazard Analysis Critical Control Point) initiatives, is nearing completion. It is an initiative that will be employed at every facility in the grain pipeline. The Pool's destination customers must be confident that our quality assurance and food safety processes are reliable and consistent throughout our system. Our producers need access to the growing number of world markets that demand compliance with strict international standards for quality and safety assurance. And the Pool must be positioned to capture the higher margin opportunities that come from proprietary and identity preserved agricultural commodities.

We have been making similar progress in the operational efficiencies of our agri-products business. Strengthened by new management, we have registered a 36% increase in EBITDA between fiscal 2003 and 2004. Our commitment to maximizing margins is achieved through excellence in procurement, financing and distribution. Technology is also key in this highly competitive environment. We have implemented two new agri-products information systems. The first, a customer relationship management tool, provides field staff with agronomic information, customer buying patterns and agri-products specifications to allow them to customize their service delivery accurately and quickly. The second tool is an inventory management and pricing system that provides the competitive intelligence and pricing flexibility to drive new market share while enhancing margins.

We have also undertaken a comprehensive capital markets analysis to build on the momentum of our January 2003 restructuring. With a more solid financial footing, we believe that now is the time to assess enhancements to our capital structure that would allow us to further reduce debt, lower interest costs, and simplify our balance sheet. We are making progress toward the renewal of our operating lines of credit, which come due in July 2005. In addition, we are analyzing ways we can restore the Pool's stock as an investment that reflects the company's performance and prospects, rather than the nature of its outstanding obligations. Any opportunities that we may pursue through the capital markets will only serve to improve our position and give us the strength we require to continue our recovery and pursue new prospects for long-term, profitable growth.

The Quality Assurance Lab in Regina plays an important role in the Pool's Quality Management System, helping the company meet the quality and grade specifications required by end-use customers.

3

Customer solutions. The third priority focuses on customer solutions. Unlike many companies, our customers are also our suppliers. It is because of this unique relationship that all four of our priority areas focus heavily on serving our Prairie producers.

We are utilizing new marketing strategies that better anticipate and respond to our customers' needs and more effectively draw upon our competitive expertise. In our grain handling business, we have built upon key business relationships with end-use customers to support the Pool's product mix while reducing financial, market and country risks. Our relationship with Toepfer International exemplifies the benefits of working with a world-renowned trading organization to develop complementary markets for western Canadian grain. We have established similar relationships in Japan for Pool canola, in Italy for durum, and with North American food processing and consumer products companies for various other commodities, including oats. Our infrastructure and processes are an ideal fit with these organizations because we have the expertise to deliver consistent quality, specific to their needs.

4

Our people advantage. Knowledge and commitment are at the heart of the Pool's success. That's why we encourage leadership through employee empowerment. We structure training and development experiences that give our people the skills they need to deliver innovative customer-specific solutions while working safely.

We have implemented new environmental health and safety programming throughout our entire pipeline as part of our commitment to employees and the communities in which we serve. One such example is in our agri-products business. We launched a comprehensive anhydrous ammonia safety program in 2003. As a result, in 2004 the Pool recorded its lowest rate of work-related injuries and illnesses since 1998. We are implementing community outreach training to teach safety to rural first-responders, and we will be launching a producer training program, the first of its kind, to support marketing, safety and on-farm maintenance needs. This is one of many initiatives that we will be launching over the next five years to illustrate our unwavering commitment to workplace health and safety.

A stronger foundation for growth

Today's Pool is well positioned for leadership in Western Canada's agricultural sector. Our grain handling facilities are the most modern in the industry, with two wholly owned port terminals, 43 high throughput elevators and 100 retail farm supply outlets. Approximately 90% of the Pool's customers are located within 40 miles of our facilities, where we provide the products and services they need through the entire commodity cycle, including proprietary marketing programs that link them to major food processors throughout the world. The loyalty of more than 35,000 member-producers is important to the Pool because it is our personal relationships with these individuals that allows us to succeed. The people, the systems and the expertise – they all add up to an efficient product pipeline, unique competitive positioning and a growing opportunity to generate value at each step along the way.

With the investments made in our grain handling network, the Pool has staked out a strong competitive position. It is evidenced by the growing number of partnerships we are forging with other grain companies to enhance capacity utilization. We have balanced our country infrastructure with our export capabilities. Still, at year-end, the rest of Western Canada's grain handling network possessed 25% more capacity than required to handle an average crop. In the long-term, this imbalance will correct itself as the industry consolidates around modern facilities like ours.

Even with the tremendous operational efficiencies that the Pool has achieved during the past three years, ours is, and always will be, a high fixed-cost business where profitability depends on the volume and quality of commodities that pass through our pipeline. That fact was amply illustrated by this year's initially promising crops. After substantial rains and early frost, just 90% of the harvest was complete by October 27 and the industry still awaits final production numbers, which are expected in early December. Just as important, there has been a reduction in quality, which will adversely affect gross margins. The Pool earns gross margins of about $20 to $22 per tonne on the value-added services we offer through our export pipeline. Based on the information we have today, we expect between 35% and 50% of the wheat crop will grade as feed. This is expected to reduce margins by 10% to 15% for fiscal 2005.

The capriciousness of Mother Nature has delayed the realization of our potential in the year ahead. However, we are confident that with your continued support, and the return of average weather conditions, the Pool will be positioned for increasingly profitable growth in this dynamic and competitive industry.

Sincerely,

Mayo Schmidt

Mayo Schmidt

The Pool's Pipeline More than a business model, it's the path from producer to destination customer

The Producer

Dave Brown (above), a valued Pool customer, and Lyle Cowell, Manager o Agronomic Services, test soil moisture content to determine the best cro production solutions for Dave's operation.

Producers receive added value with the right advice

Having the right advice increases yields and helps ensure the best use of farm-supply dollars for the Pool's farming customers. In addition to boosting their bottom line, best farming practices also improve the long-term quality of a producer's farmland and protect the environment.

The Pool's agronomic service team includes more than 100 Certified Crop Advisors (CCAs) and six Managers of Agronomic Services (MASs). Each MAS is an experienced professional agrologist who works with staff and customers to provide the best available agronomic information and advice. CCAs have passed both regional and international agronomy exams and have at least two years of field experience. All CCAs and agrologists receive continuing education and must stay current in farm management practices. By working together, this team of employees provides Pool customers with solutions that help their farm operations succeed.

Take for example the advice that **David Brown** of Tisdale receives from his local Pool staff. David relies on the Pool's agronomic expertise on crop production, seed variety selection, crop rotations and fertilizer management.

"The Pool always gives me solid, reliable, and honest advice. Their agrologists and Certified Crop Advisors are committed to helping me reach my goal, which is to produce the best crops possible, with the best practices in place, so that I can maximize the profitability of my operation," said Brown.

For **Lyle Cowell**, MAS at Tisdale, the Pool's commitment to serving farmers provides a host of benefits to the farmer's operation.

"Together, our team of agrologists and CCA staff can provide producers with a range of knowledge and experience that helps them get the best results."

The Pool's Lyle Cowell, MAS and Verne Moen, CCA discuss the latest agronomic information and its implications for growers.

1988 Introduction of Legend canola

1992 Registration of B1602 barley for US market

1995 Registration of Quantum canola; Launch of Liberty Link and Roundup Ready® canola; Registration of CDC Kendall barley

1997 Registration of McKenzie wheat

1998 Registration of Prodigy wheat; Registration of AC Navigator durum

2001 Registration of SP Admirable synthetic canola

2002 Registration of SP Banner, Arid and Amulet canolas; Registration of CDC Imagine wheat

2003 Registration of Cougar CL and SP Craven canolas

The Pool's Research and Development team monitors the stages during the crop development process at their greenhouse at Innovation Place in Saskatoon.

Research and Development

For nearly 30 years, producers in Western Canada have derived their living from the Cinderella crop best known as canola. As an industry leader in the research and development of seed varieties, the Pool played a major role in transforming canola from a niche industrial oil crop into one of the world's most nutritious edible oil crops.

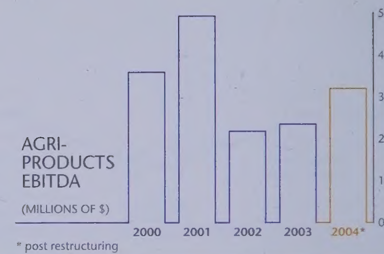
The Pool's canola scientists were responsible for the introduction of Canada's first private sector canola variety, Legend, in 1988. Thanks to their pioneering efforts, the Pool also played a lead role in the development of one of the first Liberty Link canolas, introduced in 1994, and became the first company to develop and commercialize specialty acid rapeseed and canola in Canada. In 2002, the Pool introduced Brassica Juncea, a remarkably drought-tolerant canola that is now available to traditional cereal grain growers who are located in the hotter, drier regions of the southern Prairies.

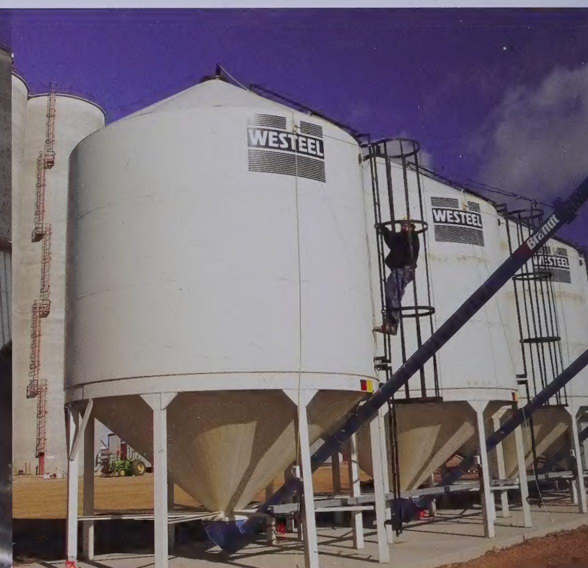
Registered and released in spring of 2002, SP Banner has quickly become the number one variety of canola in Saskatchewan. Prized for its early maturity, high oil content, strong blackleg resistance and high yields, SP Banner is one of the largest seeded and most vigorous varieties of canola available. Banner's quick maturity means the crop is less susceptible to summer heat stress and early frost damage. For oilseed processors and consumers, SP Banner offers the added benefits of high oil and low saturated fat content.

Outside the laboratory, the Pool's research and development team works closely with agri-products specialists and customers to manage the quality assurance process for SP Banner canola. Seed is tested at the quality control lab in Saskatoon and only the best pedigree seed is made available for retail seed sales. The Pool's Nipawin seed cleaning plant processes the selected seedlots and cleans to the Pool's highest quality specifications. To ensure quality and purity, the seed is sent back to the quality-control lab for testing before being sent to distribution centres.

Saskatchewan Wheat Pool is the sole distributor of SP Banner. It is sold through the Pool's 100 retail farm supply outlets across Western Canada.

Lyndon Olson grows SP Banner seed and is an important supplier to the Pool.





The Pool now offers smoothwall bins for on-farm fertilizer or grain storage at its integrated grain and agri-products operation at Raymore, Saskatchewan.

Agri-products

Bundling benefits

Selling complementary products and services together, or "bundling," is a longstanding business practice with proven benefits for both buyers and sellers. Today, as agri-businesses introduce new seed varieties tied to crop protection products and financing options, and as producers look for secure markets and the convenience of one-stop shopping, the concept of bundling is taking on new life.

At the Pool, the bundling and integration of services is a key initiative in our efforts to deliver value-added customer solutions and to drive operational excellence.

One-stop sales and service

Optimizing the footprint of our facilities across Western Canada is an important part of this process. To date, 28 of the Pool's 100 retail farm supply outlets have been integrated with local grain terminals to create one-stop sales and service centres. Equally important, the redeployment of these assets has generated long-term cost efficiencies that benefit both the Pool and its customers.

"We are passing on value to our producer customers by saving them time and money. Staff are able to work closely with each other to provide innovative solutions that satisfy both farmers and end-use customers, while strengthening our company's financial footing," said **Doug Weinbender**, Vice-President, Agri-products.

The Pool's presence in Raymore, Saskatchewan is an example of the synergies that come from operating a state-of-the-art grain handling terminal and an agri-products retail centre on one site. Integrated this year, it provides a full menu of services and products, including:

- crop production and protection products;
- equipment and supplies, such as augers and bins;
- agronomic advice from Certified Crop Advisors and Managers of Agronomic Services;
- special bundling opportunities and attractive payment options; and
- grain handling services, such as quality testing, processing and domestic and international marketing.

A banner bundle

One of the Pool's most popular bundles is the SP Banner canola package, a collection of products that offers producers consistently high yields, disease resistance, higher oil content, and shorter maturing times. This remarkable canola variety resists herbicide, essentially allowing farmers to lower their input costs by using less weed control product. It also accommodates innovative production practices such as mini-till or zero-till seeding, a factor that reduces erosion and maximizes soil moisture. Bundled with the SP Banner canola package are financing services that save farmers money through early orders or deferred payments.

More and more commodities are delivered by commercial truckers to the Pool's integrated grain handling and marketing facilities. Trained Pool professionals inspect and sample the commodities on-site to determine moisture levels, protein content and grade. Within minutes, the process is complete and the producer's payment is issued based on the quality and specifications of his crop.

Grain Handling

At the Pool, everything we do starts with our commitment to provide safe, high-quality products to customers around the world. One of our most important initiatives, and an integral focus of our operational excellence strategies, is the implementation of the Pool's Quality Management System at 41 grain handling facilities and two port terminals. The program has two parts.

The Pool is registering all of its grain handling facilities under standards developed by the International Organization for Standardization (ISO) – a growing network of internationally recognized quality management system standards now embraced by more than 146 countries. With ISO registration, the Pool can provide assurance to its producers and end-use customers that its grain handling processes are in compliance with internationally recognized Quality and Food Safety Management Standards and are consistent throughout its grain handling pipeline. Currently, the Pool's three seed plants at Moose Jaw, Humboldt and Rowatt and the Saskatoon Seed Development Lab and Regina Quality Assurance Lab are registered to ISO 9001:2000.

The Pool is also implementing HACCP (Hazard Analysis Critical Control Point) standards, first developed by the U.S. Food and Drug Administration to preserve the quality of food used in the space program. Internationally recognized and based on sound science, this food-safety protocol allows the Pool to identify and analyze critical control points throughout the processing and shipping cycle and establish limits, preventative measures, verifications and monitoring systems to ensure the integrity of its processes and thus the product.

Such initiatives reflect a commitment to quality that Prairie producers can depend on because they know that their products are treated consistently at every Pool location, from the primary grain handling facility to the port terminal. At the end of the pipeline, destination customers can depend on the Pool as a source of consistent quality that meets their exacting food specifications.

The registration process is rigorous and is led by a Pool team of trained Lead Auditors. The process will be complete in early fiscal 2005.

Marketing and Transportation

Jeff Cockwill, Regional Sales Manager at the Balgonie terminal, Dean McQueen, the Pool's Senior Canola Merchandizer and Lawrence Yakielashek, General Manager and Vice-President of Alfred C. Toepfer (Canada) Ltd. discuss marketing opportunities for this year's canola crop

Linking producers to destination customers around the world

A quality commodity becomes even more attractive to end-use customers when their needs are understood. Pool merchandisers do just that – they add value to producers' commodities through a commitment to customer solutions, quality service and timely decision making.

Merchandisers develop, implement and measure strategic business plans for the procurement, warehousing, processing and trading of assigned commodities within domestic and international markets. They establish contract prices, which producers use in deciding when to sell their commodities.

This highly specialized team adds value by arbitraging their markets and customizing marketing options to meet destination customers' demands. Sourcing strategies and identity preservation are used to maintain the integrity, quality and safety of the commodities in the Pool's pipeline. Merchandisers regularly communicate grade spreads to employees in the field to make sure the Pool can match the producers' supply with the sale quality requirements of their end users.

The trading floor is a dynamic, fast-paced and integrated working environment. Not only is the Pool's merchandizing team in constant contact with market centres across Western Canada, but they must work closely with the transportation team to manage the logistical requirements of each contract through competitive trucking, rail, vessel or intermodal freight. Successful management of these resources enables the entire team to generate more revenue and profit margin while managing operating costs and creating efficiencies through each step of the pipeline.

Pool merchandisers are responsible for day-to-day management of the company's strategic alliances and supply agreements with commodity traders like Toepfer International. It is through these relationships that new markets are created and new opportunities are identified to sell western Canadian grains and oilseeds around the world.

"My key priority is maximizing the Pool's role between producers and our end-use customers. A commitment to quality and service allows us to maintain our current business relationships while creating new ones. Taking the time to define the needs of both groups is critical in ensuring the Pool remains competitive," said **Dean McQueen**, Senior Canola Merchandiser at the Pool.

The Pool's Vancouver port terminal, a key asset in the pipeline, is the centre of the hourglass, through which a large portion of the Pool's grains and oilseeds flow to destination customers around the world.

Value-Added Products to Destination Customers

The Pool has long been a provider of high-quality cereal grains and oilseeds to end-use customers around the world. The processes we have built into our infrastructure and the disciplines that we employ every day are well recognized and are essential to meet the ever-increasing demand for healthy consumer food choices. The majority of the Pool's shipments are destined for export markets. As international customers' food requirements change, so must the Pool.

The input of destination customers has been instrumental in the development of various priority seeds. SP Banner, for example, provides our customers with canola oil that is low in saturated fats, a popular quality for health-conscious consumers. In its first year on the market, SP Banner made up 15% of the Pool's total canola sales.

Durum is also an extremely important commodity for the Pool. Our relationship with International Grain and Services, a full service international grain trading company, has enhanced the Pool's ability to market proprietary strong-gluten durum, including AC Navigator, into Italy – one of the world's largest importers of high-quality milling durum.

Destination customers need quality products that meet their exacting specifications. In the oat milling business, consumer products companies are altering their products to include more whole grains, an important new trend for Can-Oat Milling.

Can-Oat, located in the heart of western Canadian oat production, processes more than 260,000 metric tonnes of milling quality oats each year. It supplies a full range of products such as rolled oats, flaked oats, bran and whole and low-bran oat flour. The majority of its exports go to baked goods and cereal manufacturers in North America. Can-Oat does extensive product testing and follows equipment and milling control procedures of the highest standards as it works to meet the specifications of its end-use customers and their consumers.

"The Pool and Can-Oat have developed valuable alliances that enhance our customers' ability to access top-quality grains and oilseeds and, at the other end, open up new and lucrative markets for western Canadian producers," says **Fran Malecha**, Senior Vice-President of the Grain Group. "As we look to the future, I am confident that our ability to trace, segregate and identity-preserve products within our system will generate additional market opportunities for the Pool and its Prairie customers."

2004 Management's Discussion and Analysis

Management's Discussion and Analysis was prepared based on information available to Saskatchewan Wheat Pool as of October 27, 2004. Management has prepared this discussion to assist readers in interpreting its financial results for the fiscal year ended July 31, 2004 and to gain an understanding of the industry and market in which the Pool operates as well as the trends that may impact operational and financial performance into the future. Additional information on Saskatchewan Wheat Pool, including the Annual Information Form is available on SEDAR under the company's name at www.sedar.com.

FINANCIAL RESTRUCTURING AND FRESH START ACCOUNTING

The Pool completed a financial reorganization effective January 31, 2003. The restructuring was accounted for using the principles of comprehensive revaluation (fresh start accounting) as required by Canadian Generally Accepted Accounting Principles (GAAP). As a result, the Pool eliminated its deficit and revalued all of its assets and liabilities at estimated fair value. The balance sheets presented in this Annual Report are presented on a post-restructuring basis as at July 31, 2004 and July 31, 2003.

The company's Consolidated Statements of Earnings and Retained Earnings (Deficit) and Consolidated Statements of Cash Flows include the financial results for the year ended July 31, 2004, and six months ended July 31, 2003 on a post-restructuring basis. The statements also include the six-month results for the period ended January 31, 2003, prior to the restructuring. Interest and amortization expenses from August 1, 2002 to January 31, 2003, reflect the value of the assets and liabilities at pre-restructuring levels. As a result, the cumulative total of the two six-month reporting periods for 2003, are not comparable to the full year results for 2004.

DISCONTINUED OPERATIONS

The Pool exited the hog production, feed processing and aquaculture industries in fiscal 2004. The results from these operations, previously reported in the Other segment, have been classified as discontinued operations on the Consolidated Statement of Earnings and Retained Earnings (Deficit). Results from prior periods have been restated to reflect continuing operations and discontinued operations. Readers may refer to Note 4 in the Notes to the Consolidated Financial Statements for additional information.

COMPANY OVERVIEW

The Pool is a vertically integrated Canadian agri-business engaged in three distinct but interrelated agri-businesses. It is the largest publicly traded agri-business in the province of Saskatchewan and the second largest in Western Canada.

The company's core businesses are grain handling and marketing, agri-products sales and oat processing. The Pool also participates in agri-food processing through an affiliated company and through strategic alliances and supply agreements.

The Pool's fiscal year runs from August 1st to July 31st and follows the traditional crop year. The bulk of our agri-product sales in each fiscal year are in the fourth quarter, which occurs in the spring and summer when the crop is planted and is maturing. For the grain business, with harvest occurring in the fall, the Pool does not begin receiving new crop volumes until the first quarter of the following fiscal year.

BUSINESS MODEL

Saskatchewan Wheat Pool's business model is designed to optimize its position in the agri-food pipeline by connecting producers and their commodities with destination customers around the world, generating revenue at each stage of the value-added pipeline.

The pipeline begins with the producer. The Pool works with its producer customers to provide specialized varieties of grains and oilseeds, along with fertilizer, crop inputs and agronomic services to support high-quality, high-yielding commodities demanded in the international marketplace. Through production contracts, trucking premiums and targeted marketing

programs, the Pool attracts grain into its high throughput grain handling network on the Prairies, where the product is cleaned, dried and blended before it is sold to the domestic or export market. The Pool markets the grain to end-use customers through commodity specialists or through the Canadian Wheat Board (CWB), shipping the product by truck or rail to domestic users or to export positions. For the international marketplace, the product usually moves through one of the Pool's port terminal facilities to the end-user, where it is further processed into food and other products.

GRAIN HANDLING AND MARKETING

The Pool's grain handling and marketing operations include 43 high throughput grain handling and marketing terminals and seven specialty crop cleaning and handling facilities strategically located in the prime agricultural growing regions of Western Canada. It also includes two wholly owned port terminal export facilities located in Vancouver, British Columbia and Thunder Bay, Ontario and an ownership interest in an export facility in Prince Rupert, British Columbia.

AGRI-PRODUCTS

The Pool's Agri-products segment consists of 100 retail locations throughout Western Canada, including the majority of grain handling and marketing facilities through which the Pool sells seed, fertilizer, crop protection products and agricultural equipment, such as storage bins. The Agri-products segment also includes a research and development centre at the University of Saskatchewan and the company's share of jointly owned affiliate Western Co-operative Fertilizers (WCFL), a fertilizer wholesaler in Calgary, Alberta. Through its strategic alliances with Farm Credit Canada and John Deere Credit, the Pool also offers agri-products financing to Prairie producers.

AGRI-FOOD PROCESSING

The Pool's significant interests in agri-food processing include wholly owned Can-Oat Milling, the world's largest industrial oat miller with plants in Portage la Prairie, Manitoba, and Martensville, Saskatchewan, and 42%-owned Prairie Malt Limited, one of North America's largest single-site malting plants, located at Biggar, Saskatchewan.

MARKET ENVIRONMENT

In its early years, western Canadian grain handling was dominated by farmer-owned co-operatives, but in the last decade, multi-national private sector companies have entered the market and the co-operatives have become publicly traded entities so that they can more easily access capital to rebuild infrastructure and remain competitive. Deregulation of the rail industry has been the single greatest force of change with the removal of transportation subsidies and the subsequent abandonment by rail companies of tertiary and secondary rail lines. This has forced grain companies to replace obsolete wooden elevators with new facilities on main lines.

Economies of scale are essential in order to compete. First-generation elevators in the 2,500 to 7,500 metric tonnes (mt) capacity range have been replaced with larger high throughput concrete facilities in the 20,000 to 40,000 mt capacity range. While competitors continue to close smaller wooden facilities, construction of the high throughputs is essentially complete. However, some competitors continue to upgrade existing facilities by adding car spots and/or storage capacity. Western Canada has about 25% excess capacity. Consolidation is expected to continue, however, the pace will be somewhat dependent on further deregulation of the industry.

There is significant concentration of major competitors, with seven in Canada, four of which own port terminal facilities. With the consolidation of Alberta Wheat Pool and Manitoba Pool Elevators into Agricore, and subsequently, Agricore and United Grain Growers into Agricore United, two companies — Saskatchewan Wheat Pool and Agricore United — dominate the western Canadian market with about 51% market share. The top four competitors — the Pool, Agricore United, James Richardson and Cargill — own 67% of the licensed capacity.

Grain transportation has undergone great change as well, not only because of rail line abandonment, but also because railroads now offer multi-car loading incentives to grain companies to drive operating efficiencies, reduce costs and improve revenues. It is far cheaper for the railways to put 50 or 100 cars at one location, have the train loaded within 24 hours, and then move the grain to port in one block of cars.

GRAINS AND OILSEEDS

Western Canada produces, on average, 53 million metric tonnes (mmt) of grains and oilseeds annually, of which 63%, or 33 mmt, is available to Prairie grain handling companies to market to end-use customers.

The Prairie region has experienced persistent drought conditions since the 2001 growing season, which severely reduced production levels and the quality of grains and oilseeds. Crop production, available for fiscal 2004 (harvested in the fall of 2003), reached 89% of the five-year average in Western Canada. However, in Saskatchewan, where 50% of all of Canada's grains and oilseeds are grown, production reached only 80% of the five-year average, or 21.7 mmt, due to extreme dry conditions in late July and August. While these dry conditions had an impact on yield (the amount of bushels per acre), the heat increased the quality of the crop, leading to more export opportunities for the entire industry.

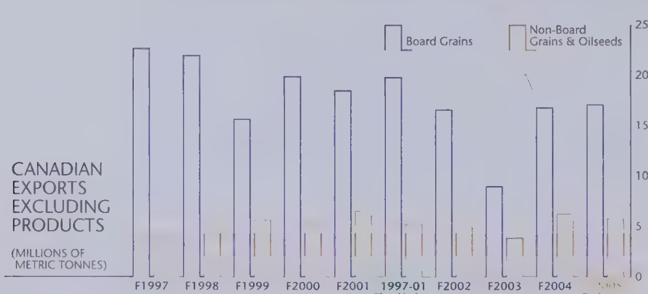
Source: October 2004 Statistics Canada Estimate

Excessive moisture during the spring and summer of 2004 relieved drought stress throughout the Prairie region and by June of 2004, the Prairies were looking forward to the first bumper crop in many years. However, continued rain and colder weather in the last half of the growing season slowed crop maturity, and an early frost on August 20, 2004 cut both production estimates and crop quality. Based on October 2004 Statistics Canada estimates, the size of the western Canadian crop available for fiscal 2005 is expected to reach 50.5 mmt or 96% of the previous five-year average. In Saskatchewan, the Pool's primary market, production is expected to reach 94% of the previous five-year average. As of October 27, about 90% of the harvest was complete. Final production numbers are not expected until December 2004.

The grain handling business is seasonal, with the strongest movement typically occurring in the August to October and May to July periods, the first and fourth quarters for the Pool.

The Canadian Wheat Board is the sole exporter of western Canadian wheat and barley (Board grains). About 60% of the Pool's total shipments are CWB grains (five-year average). The Pool also buys and markets for its own account non-Board grains such as canola, oats, peas and mustard. Grain is classified, graded and inspected by the Canadian Grain Commission both on the Prairies prior to shipping and again at port prior to loading the commodities onto the vessel.

Grain handling companies market non-Board grains and oilseeds directly to end-use customers domestically and into the international marketplace. A significant portion of the Pool's international demand is secured through strategic alliances and supply agreements with international food processors and commodity trading firms.



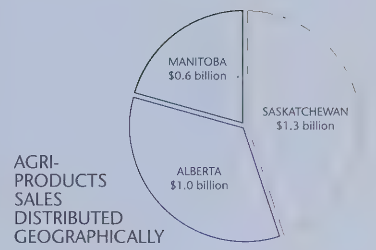
Source: 2005 Agriculture & Agri-Food Canada October 8, 2004 Grains & Oilseeds Outlook and Pulse and Special Crops Outlook (with product exports subtracted), Canadian Grain Commission, "Exports of Canadian Grain" (includes Eastern Canadian wheat exports of about 0.4 mmt)

Exports in 2004 rebounded to 92% of the five-year average. Higher quality from last year's harvest, coupled with increased demand in the international export market because of a poor European crop, led to additional export opportunities for the industry.

The CWB plays a significant role in the transportation of wheat and barley. The CWB allocates 80% of the railcars based on a formula that calculates each grain company's previous 18-week producer deliveries. The remaining 20% of the CWB sales program is put to tender where grain companies can bid on the railcars. The winning bidder has the ability to spot those cars at any location and work with area producers to source the grain just in time to maximize efficiency.

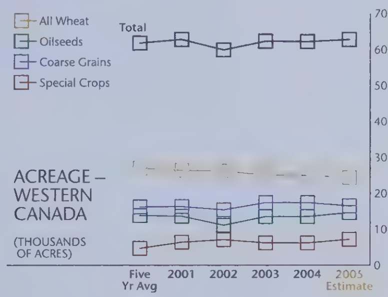
AGRI-PRODUCTS MARKET

The agri-products industry in Western Canada is a mature market. It is made up of about 240 competitors servicing 900 locations throughout Western Canada (750 retail operations in the Pool's market area). Independent retailers, who hold about 30% of the market, together with a host of major grain handlers, sell seed, fertilizer, crop protection products and small agricultural equipment. The total market is approximately $2.9 billion in sales.



Source: Statistics Canada, November 2003 Farm Expense Report – Four-year average: 1999–2002

The Pool competes in 17 market centres with effective market coverage of about $2.5 billion. It does not operate local service outlets in all areas of Manitoba and Alberta and therefore does not have access to their entire markets. Low crop prices and poor growing conditions put pressure on volumes and margins from time to time, but in general, the industry has historically supported retail gross margins in the 15% range.



Source: Statistics Canada

Total market acreage of about 62 million has remained essentially the same for the past five years, with some growth in seed sales as a result of producers shifting from cereal crops to canola and specialty crops.

The seeded acreage of crops varies from year to year, based largely on price forecasts and input costs. Currently, the only long-term trend affecting seeded acreage is a steady increase in special crops (peas, lentils, mustard and canary seed) from 1.5 million acres in 1990–91 to 6.2 million acres in 2004. This growth may have reached its peak as Canada now has 50% of world exports in many of these crops.

The number of producers has decreased steadily while the average number of acres farmed, including owned and leased land, has grown to 1,600, meaning fewer customers with greater leverage. As a result, price, availability, information and service are the key sales drivers in this business.

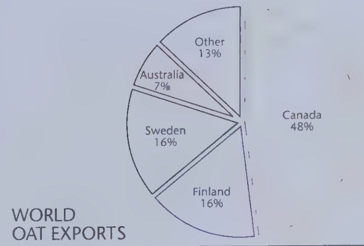
The industry is highly seasonal with approximately 75% of seed, fertilizer and crop protection products sold and delivered from mid-April to the end of June in a typical year. The fall season from August to November represents about 15% of the business. This market is also extremely dependent on the weather as freezing temperatures and snowfall can bring the season to a halt. A strong fall application period can relieve some of the spring logistical requirements because fertilizer will not be reapplied in the spring, while other products such as herbicides are not affected by fall application conditions and will be reapplied in the spring.

The industry is highly dependent on weather conditions and commodity prices. If poor growing conditions are anticipated or if commodity prices decline significantly, sales may suffer because producers cannot justify the cost of inputs in terms of a return on investment.

Fertilizer prices can also alter buying behaviour. Pricing is highly dependent upon natural gas prices. If producers believe that fertilizer prices (and/or natural gas prices) are on the rise, which typically occurs through the winter months, they will pre-buy product in an attempt to reduce their overall input costs.

OAT PROCESSING

Canada is the second largest oat producer and the largest oat and oat-product exporter in the world, representing 48% of the world's oat export trade. Total world production stands at 25.6 million tonnes of oats, which includes oats for feed and human consumption. Canada's oat production has remained relatively stable over the past 15 years and represents about 13% of the world's total. Over 90% of Canada's oats are produced in Western Canada, with the majority, about 70%, grown in Saskatchewan and Manitoba.



Source: Ag Commodity Weekly International Oat Report, Nov. 2004

The industry has seen strong growth in North American milling demand. As a result, the percentage of total oat production that is utilized for food and industrial purposes has increased. Approximately 25% to 30% of the annual crop is milling quality, while the rest is

utilized as feed. Canada consumes less than 50% of its production and exports the remainder primarily to the United States. Canada exported 1.2 mmt to the U.S. last year, representing approximately 78% of that country's total oat imports.

Oat milling remains an attractive segment of the food ingredients market. Oat ingredients hold a strong position in the market. They are non-GMO (genetically modified organism) and are a wholesome and natural whole grain, grown and processed with very little chemical application. Oat ingredients are functionally suitable for the rapidly growing "convenience food" product categories, and remain an economical food staple in the North American diet. Demand for oat ingredients continues to be heavily concentrated in the hot and cold cereal and snack bar markets. Health concerns in the North American population have had a positive impact on the sale of oat products overall. In 1997, the Food and Drug Administration in the United States approved a health claim for oat-based products proclaiming that the soluble fibre from oatmeal, as part of a low-saturated fat, low-cholesterol diet, may reduce the risk of heart disease. This official acceptance toward whole grain consumption has heightened consumer interest in oat-based foods until recently, when the focus on low-carbohydrate diets caused a slowdown in grain consumption overall. Many cereal and snack bar makers are now altering their product lines to include whole grains, a positive development for the oats industry over the long term.

THE MALT INDUSTRY

Source: Agriculture & Agri-Food Canada Bi-weekly Bulletin, Jan. 25, 2002; www.prairiemaltltd.com

Malt, a processed form of top-quality barley, is the basic ingredient used in the production of beer. Malt provides most of the complex carbohydrates and sugars, which are necessary to give beer its distinctive flavour and alcohol. For the same reasons, malt is used in making whiskey and other distilled spirits. It is also gaining considerable popularity in the food industry as a flavouring component and a source of nutrition. Quality, therefore, is essential. The main raw material used in the production of malt is malting barley.

Japan has been the largest importer of malt in the world for several years and has been Canada's largest export market. The United States is Canada's second-largest export market. In addition, Mexican demand is increasing, as beer production and consumption in that country have been growing rapidly. The CWB holds a monopoly on Canadian malting barley sales to domestic and international customers. Sales are made directly by the CWB or by Accredited Exporters of the CWB. Canadian maltsters purchase all of their malting barley from the CWB, with prices for malting barley based on North American and international market prices.

POOL PRIORITIES

In 2003, Saskatchewan Wheat Pool developed four key priorities that have guided, and will continue to guide, the company's strategic direction as it redefines its position in the western Canadian agricultural market.

OPTIMIZING OUR FOOTPRINT

The Pool will continue to align its assets with changing market conditions. Our goal is to anticipate change and proactively adjust our business processes so that we generate the greatest economic value from our western Canadian footprint. The Pool has led the industry in responding to deregulation, rail line abandonment and other industry developments by closing antiquated facilities so that our core resources are targeted to the more modern and efficient grain handling and marketing centres.

Our primary elevator and agri-products retail footprint on the Prairies provides good market coverage and no dramatic changes to the footprint are expected. However, we will undertake annual assessments of the profitability and value of each of our assets within specific market regions to test efficiency, market share opportunities, competitors' strengths and weaknesses and changing customers' needs. To the extent that market opportunities avail themselves, this process allows the Pool the flexibility and speed to execute on strategies that will improve our market position. These opportunities may present themselves in the form of alliances, facility sales or trades, new or expanded product offerings and facility enhancements.

Just as essential within the Pool's footprint are its strategic port terminal assets. With growing demand from Asian Pacific countries, our Vancouver port terminal remains a key asset within the pipeline. Capital expenditures in the coming years will be targeted to efficiency and productivity initiatives to support increasing demand from international customers.

Can-Oat is competitively located and holds a strong market position. The company's two mills are presently operating at about 90% of capacity. Can-Oat will employ strategies to optimize its sales mix in favour of value-added finished products by building on existing core competencies, brand equity and leveraging its customer relationships.

OPERATIONAL EXCELLENCE

Operational excellence is a key strategy and a guiding principle that sets the tone and expectations among employees and with our important and varied stakeholders. Our goal is to continually test and refine our processes at every stage within the pipeline and strengthen our relationships with customers and suppliers to create mutual value.

Several operational improvements have been identified as part of the Pool's continuous improvement efforts in its core operations. Execution of inventory management strategies will be essential to facilitate margin retention, increase quality control and enable the enhancement of identity preservation programs. The Pool will also seek out opportunities to maximize profitability by building programs that bundle grain and agri-products programs and services to producers linking their needs through the value chain to the end-use customer.

At Can-Oat, improving employee efficiency and productivity is a key initiative. The company will utilize improved management skill sets, informational database systems and production planning tools to optimize capacity in order to secure additional business within the existing cost structure.

Safety continues to be a top priority throughout the company's portfolio. In addition to significant classroom and hands-on training programs for employees, the Pool will launch programs for its customers throughout Western Canada to support their marketing, safety and farm maintenance needs. The Pool will also work with rural communities to train their volunteer first responders as part of the company's commitment to Community Outreach Emergency Training.

CUSTOMER SOLUTIONS

The needs of western Canadian producers will continue to change and the Pool will customize marketing options to the needs of its customer base. End-use customers will benefit from the Pool's quality assurance measures and identity preservation programs, encouraging their continued commitment to long-term alliances and supply agreements. The greatest opportunity to capture strong margins in the grain business lies in effectively managing our relationships with producers and destination customers throughout the pipeline process. Future producer marketing strategies will aim to optimize this pivotal link, allowing the Pool to pursue additional business relationships with end-use customers that support its optimum product mix, while reducing financial, market, and foreign economic and political risk.

In the Agri-products business, new reporting systems and a realignment of the sales force will provide our customer base with dedicated expertise and a host of improved programs and services to support farm operations. At the same time, the Pool will work with suppliers within its distribution framework to enhance its customer service and capture profitable market share.

OUR PEOPLE

The knowledge and commitment of our people is at the heart of the Pool's success. Creating a positive work environment, on-the-job and targeted training programs and effective policies and procedures give staff the essential skills and guidance they need to be successful.

The recent implementation of an enhanced code of conduct and anonymous phone line to report violations sets the parameters to assist employees in the execution of their daily work plans. Performance-based compensation plans, succession planning and regular progress reporting will support accountability and commitment to the Pool's strategic priorities.

KEY DRIVERS

The Pool's ability to achieve success in the western Canadian agricultural industry is dependent upon a number of factors.

Velocity is a key driver in the Pool business model – that is, the ability to move volume through our primary grain handling network quickly and efficiently while maintaining quality specifications. The Pool has 32% of the 100-car facilities in Western Canada and 40% of the 100-car loading capacity, which is well ahead of the 19% held by its closest competitor. This is important because rail companies, which are responsible for moving the grain to export position, offer grain handling companies incentives for loading product onto multi-car unit trains. The Pool shares these incentives with producers to lower their costs and to attract grain into its system in an effort to increase profitable market share.

In fiscal 2004, the Pool shipped 92% of its grain and oilseeds in 25-, 50- and 100-car loads, with 71% loaded in 50s and 100s. The key to managing the pipeline and maximizing future earnings is to target opportunities for large multi-car shipments. Rail incentives on 25-car loads can be as low as $0 per tonne, rising to $7.00 per tonne for 100-car trains. (Railcars can hold about 90 tonnes of grains or oilseeds, depending on the commodity.)

The ability to fully capitalize on the efficiencies and economies of scale within the western Canadian grain handling system is dependent upon the regulatory environment. Regulation exists in many facets of the business, despite attempts by the industry to encourage deregulation over the past five years. The amount of revenue generated by railway companies through the grain handling system is also regulated. The Canadian Wheat Board plays a significant role in the allocation of rail equipment for wheat and barley shipments, due to its monopoly over the marketing and export of western Canadian cereal grains.

In addition to purchasing grain from producers as an Agent of the Board, the Pool also acts as an Accredited Exporter for the CWB, securing sales on its behalf in the national and international marketplaces. Finding new markets for Board grains is an important driver for the Pool and the CWB, particularly in 2005 because of the higher proportion of feed grain from the 2004 harvest. The Pool's relationship with the Board and its influence within the political and regulatory environment is also important, as the company works to encourage additional deregulation and long-term system efficiencies.

In its agri-products retail operation, crop mix is an important driver because commodities like wheat and barley require substantially fewer inputs than special crops and canola. For example, producers invest about $60 to $80 per acre on a canola crop, which includes the seed that they typically purchase each year. For wheat, about $20 to $30 per acre is invested on average, and for certain varieties, the wheat can be re-seeded from the previous year's harvest.

The amount of agri-products the Pool sells is therefore dependent upon seeding intentions, and the company must be flexible and timely in the purchase of its products for the heavy spring selling season. Its ability to address market demands for new seed varieties with specific characteristics that meet the needs of both the producers and the end-use customers is a priority for the Pool and is vital to securing new alliances and long-term supply agreements into the future.

Fertilizer pricing is also a business driver for agri-products operators. Natural gas is an important component of nitrogen fertilizer and as its price fluctuates, so do fertilizer prices. Producers' buying behaviour, both in terms of timing and quantity, will change depending on pricing. As a result, companies must monitor pricing to secure fertilizer at the right time and be flexible with supply to ensure the demand will be met during the application periods.

The agri-products business requires substantial working capital. Over the past three years, the Pool has focused on reducing its working capital requirements in this business. Since 2001, the Pool has reduced the number of product lines it offers in an effort to optimize its margins. This has allowed, and will continue to allow, our agri-products sales force to focus on products that generate higher returns.

Customer service strategies that allow the Pool to bundle its seed, fertilizer and crop protection products with its financing and grain handling and marketing programs will be key to retaining and growing market share in the future. In addition, as farming practices advance, the level of expertise offered through the Pool's Certified Crop Advisors and agronomists will provide the added value customers are demanding as they strive to improve their own profitability.

CAPABILITY TO DELIVER RESULTS

The Pool has a strong complement of staff specialists who have a long history in the business and sound relationships with both the primary and end-use customer. The company employs 1,600 full-time staff, approximately 1,000 of whom are unionized employees. Of the eight labour contracts in place, six have been renewed to December 2005 and beyond, while two contracts for employees located at AgPro Grain in Manitoba and Alberta are up for renewal. These two contracts represent approximately 90 employees.

The Pool's market coverage is extensive with approximately 90% of the Pool's customers located within 30 to 40 miles of a Pool facility. The Pool's primary market is in Saskatchewan, where over 50% of Canada's grains and oilseeds are grown and where it holds the dominant market share. It has the necessary access to the supplies it requires to meet domestic and export commitments. The Pool has also secured a number of strategic alliances and supply agreements with commodity traders, like Toepfer International, International Grains & Services, and a number of Asian Pacific commodity-based businesses to secure non-Board grain and oilseed demand into the future.

The Pool's pipeline infrastructure at primary position offers producers a host of grain handling, marketing and agri-products programs and services to support their operations, while providing the Pool with multiple opportunities to maximize margins. The majority of its facilities can dry, blend and clean grain to export standard, which lowers the farmers' costs and improves the efficiency of the entire pipeline. A full line of agri-products is available at 100 sites throughout Western Canada, competitively positioned in the heart of the Prairie growing region.

For the Pool's port terminals, in addition to the grain that originates from the company's primary elevators in Alberta, Saskatchewan and Manitoba, the Pool has recently secured a number of terminal handling agreements with other line elevator companies that do not have export facilities. These agreements represent about 1.2 mmt of additional grains and oilseeds that may be available to its Vancouver and Thunder Bay port terminals under normal crop conditions.

Quality and food safety is an important issue both at home and abroad. The Pool's ability to provide the quality assurance that its destination customers demand will be key to securing long-term relationships. The Pool is in the midst of certifying 41 grain handling facilities on the Prairies and its two port terminal operations to internationally recognized food handling and safety standards, more commonly known as ISO (International Organization for Standardization). These will be in addition to three seed plants, a seed development lab and a quality assurance lab that are already certified ISO9001:2000. At the same time, the Pool is employing HACCP (Hazard Analysis Critical Control Point) policies and procedures to illustrate its commitment to food safety and security.

For the Pool's agri-products business, where significant competition exists from small independent retailers and larger grain handling firms, access to the products in demand at the farm-gate is essential to maintaining a strong customer base. The Pool markets a number of proprietary seed varieties, like Navigator durum, SP Banner canola and Juncea canola. The Pool has exclusive rights to market these products across Western Canada. These products are in strong demand in the international marketplace.

The Pool expects that destination customers will begin to request more identity preservation from farm-gate through the pipeline and that the ability to trace the commodity throughout the cycle will become more and more important as food safety and security concerns heighten. Its high throughput grain handling terminals have the ability to segregate products within the system. The Pool is currently populating a number of information systems that will provide the needed intelligence on cropping patterns, chemical use, yields and quality to support future traceability programs.

Key to the company's future is its ability to lower financing costs and overall leverage to restore a more appropriate balance between debt and equity. The Pool is currently exploring capital market alternatives that may be available to achieve this result. Improving financial flexibility and liquidity is essential to its long-term financial stability. The Pool's operating lines will expire at the end of fiscal 2005 and the company is currently in the midst of discussions to renew those lines. In order for the Pool to weather downturns in the industry and take advantage of strategic opportunities to support growth and optimize shareholder value, it requires access to the equity markets. On August 6, 2004, the Pool announced that it was undertaking a review of capital market alternatives that would allow the company to further strengthen its balance sheet and lower its interest costs. The Pool is exploring a wide range of alternatives, including opportunities to access additional equity and further reduce debt.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

ANNUAL:

Income Statement Data

(in millions)*	Post-reorganization Year Ended July 31, 2004	Post-reorganization Six Months Ended July 31, 2003 (restated)	Pre-reorganization Six Months Ended January 31, 2003 (restated)
Sales and Other Operating Revenues	$ 1,407.3	$ 653.0	$ 687.5
Net income (loss) from continuing operations	$ 17.9	$ (9.1)	$ (30.6)
Net loss from discontinued operations	(12.9)	(6.8)	(3.9)
Net income (loss)	$ 5.0	$ (15.9)	$ (34.5)
Earnings (loss) per common share:			
Prior to accretion	$ 0.02	$ (0.16)	$ (0.92)
After accretion			
From continuing operations	$ (0.01)	$ (0.20)	$ (0.82)
From discontinued operations	(0.06)	(0.07)	(0.10)
Earnings (loss) per common share**	$ (0.07)	$ (0.27)	$ (0.92)

* In millions except earnings per share data

** The potentially dilutive effect of the conversion of the Convertible Subordinated Notes and the exercise of options related to the New Members and Management Stock Options Plans were not included in the calculation of diluted earnings (loss) per share as the result would be anti-dilutive.

Financial results for fiscal 2002 have not been included in this "Selected Consolidated Financial Information." The Pool completed a financial restructuring and accounted for the reorganization by using the principles of comprehensive revaluation effective January 31, 2003. This revaluation, known as "fresh start accounting" limits the comparability of the financial results to prior periods. At the time of the financial restructuring, the Pool received a Decision Document from the Saskatchewan Financial Services Commission, Securities Division, dated June 25, 2003, which was also granted on behalf of the securities regulators in the provinces of British Columbia, Alberta, Manitoba, Ontario, Quebec, Newfoundland and Labrador, and Nova Scotia, and provided the format for required financial statement presentation for fiscal 2003 and fiscal 2004.

As a result of the financial restructuring, the Pool became a new reporting entity with a new opening balance sheet effective January 31, 2003. A revaluation was made of the company's debt and equity components based on market values at the time of the revaluation with corresponding adjustments made to asset values. The table below reflects the reorganization as presented in the 2003 Notes to the Consolidated Financial Statements.

At January 31, 2003, the book value of substantially all current assets and current liabilities approximated fair value. The following assets and liabilities required restatement to fair values.

- Property, plant and equipment – at the fair value supported by future anticipated cash flows
- Goodwill and pre-operating costs – at nil in accordance with GAAP
- Pension and other employee future benefit plans – at values determined by an independent actuary
- Senior Subordinated Notes – at current trading value
- Debt component of Convertible Subordinated Notes – at the present value of estimated interest payments associated with 2006 to 2008 fiscal years
- Future income taxes – at amounts more likely than not to be realized over periods not exceeding five years
- Unamortized portion of the costs associated with current and prior lending arrangements reflected as long-term assets – at nil
- Unamortized portion of the costs associated with prior lending arrangements reflected as prepaid expenses – at nil

- Costs of restructuring – written off through the fresh start adjustment
- Agri-products equipment inventory – at selling prices less disposal costs

An equity value of $178.6 million was calculated in order to establish the January 31, 2003 fresh start consolidated balance sheet. The equity value reflects management's estimate based on the trading value of the company's Class B shares combined with an estimate of the fair value of the non-debt component of the company's Convertible Subordinated Notes.

The following table summarizes the adjustments recorded to implement the reorganization and to reflect the fresh start basis of accounting as at January 31, 2003.

(in thousands)	Prior to Reorganization	Reorganization Adjustments	Fresh Start Adjustments	After Adjustments
ASSETS				
Current Assets				
Cash	$ 2,382	$ –	$ –	$ 2,382
Cash in trust	13,898	–	–	13,898
Short-term investments	29,088	–	–	29,088
Accounts receivable	81,439	114,290 (a)	–	195,729
Inventories	185,728	–	(501)	185,227
Prepaid expenses	10,995	–	(2,526)	8,469
Future income taxes	8,205	–	(7,423)	782
	331,735	114,290	(10,450)	435,575
Investments	7,544	–	(2,599)	4,945
Property, Plant and Equipment	611,428	–	(297,015)	314,413
Other Long-Term Assets	141,354	8,995 (c)	(142,873)	7,476
Future Income Taxes	77,569	–	2,755	80,324
	$1,169,630	$ 123,285	$ (450,182)	$ 842,733
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Bank indebtedness	$ 15,674	$ –	$ –	$ 15,674
Short-term borrowings	7,884	114,290 (a)	–	122,174
Members' demand loans	6,178	–	–	6,178
Members' Class A shares	–	–	1,797	1,797
Accounts payable and accrued liabilities	173,489	7,995 (c)	–	181,484
Long-term debt due within one year	7,155	–	–	7,155
	210,380	122,285	1,797	334,462
Long-Term Debt	533,881	(105,000) (b)	792	273,407
		(300,000) (b)		
		150,000 (b)	(28,500)	
		22,234 (b)		
Other Long-Term Liabilities	45,922	1,000 (c)	378	47,300
Future Income Taxes	10,470	–	(1,561)	8,909
Non-Controlling Interest	54	–	–	54
	800,707	(109,481)	(27,094)	664,132
Shareholders' Equity				
Share capital	457,781	8,487 (b)	(457,781)	22,335
			13,848	
Convertible Subordinated Notes – equity component	–	224,279 (b)	(68,013)	156,266*
Retained earnings	(88,858)	–	88,858	–
	368,923	232,766	(423,088)	178,601
	$1,169,630	$ 123,285	$ (450,182)	$ 842,733

* Convertible Subordinated Notes principal of $139.3 million and Convertible Subordinated Noteholder option of $17.0 million.

Summary of Adjustments:

(a) As part of the financial reorganization, the company guarantees the underlying cash value of assets sold in its securitization program. This guarantee requires that the company treat its securitization program as a financing transaction rather than a sale transaction. The result is an increase of $114.3 million to both accounts receivable and short-term borrowings.

(b) Both series of medium-term notes totaling $300 million, along with $105 million of bank term debt, were exchanged proportionately for two new series of notes and 22.9 million Class B shares of the company. Of the $405 million exchanged, $150 million is reflected in the reorganization column as debt. The remaining $255 million is reflected as follows:

(in thousands)

Share capital – 22,938,037 Class B shares issued	$ 8,487
Convertible Subordinated Notes – debt component	22,234
Convertible Subordinated Notes – equity component	224,279
	$ 255,000

In accordance with GAAP, the 22.9 million shares issued were recorded at fair value and the Convertible Subordinated Notes are separated into their debt and equity components, according to their substance. The debt component is estimated at the present value of the cash interest that may be paid in accordance with certain specified threshold tests for fiscal 2006 to 2008. The remainder is reflected as equity.

(c) Reflects a $13.6 million accrual for additional reorganization expenses and costs associated with new bank facilities ($1 million reflected as long-term), net of the forgiveness of $4.6 million in obligations associated with prior banking arrangements. These costs were subsequently valued at nil on the opening January 31, 2003 balance sheet through fresh start accounting adjustments.

Balance Sheet Items – Post-reorganization

(in millions)	2004	2003
Total assets	$ 700.2	$ 787.8
Total long-term liabilities	$ 298.9	$ 322.0
Dividends paid per share	$ 0.00	$ 0.00

The Pool did not pay dividends on either class of shares in the years listed above. Under the terms of its credit facility, the Pool cannot pay dividends on its shares without approval from its principal lenders.

QUARTERLY:

Fiscal 2004 (Post-reorganization)	October 31	January 31	April 30	July 31
(in millions except for per share data)				
Sales and Other Operating Revenues	$ 284	$ 326	$ 255	$ 542
Net income (loss) from continuing operations	(7.1)	9.5	(4.8)	20.3
Net income (loss) from discontinued operations	(2.7)	(14.3)	(4.3)	8.4
Net income (loss)	$ (9.8)	$ (4.8)	$ (9.1)	$ 28.7
Earnings (loss) per common share:				
Prior to accretion	$ (0.06)	$ (0.02)	$ (0.04)	$ 0.12
After accretion				
From continuing operations	$ (0.07)	$ 0.02	$ (0.04)	$ 0.07
From discontinued operations	(0.01)	(0.07)	(0.02)	0.03
Earnings (loss) per common share	$ (0.08)	$ (0.05)	$ (0.06)	$ 0.10
Diluted earnings (loss) per common share	$ (0.08)	$ (0.05)	$ (0.06)	$ 0.05

Fiscal 2003 Restated

(in millions except for per share data)	Pre-reorganization October 31	Pre-reorganization January 31	Post-reorganization April 30	Post-reorganization July 31
Sales and Other Operating Revenues	$ 305	$ 382	$ 204	$ 449
Net income (loss) from continuing operations	(12.7)	(17.9)	(27.6)	18.5
Net loss from discontinued operations	(2.9)	(1.0)	(2.8)	(4.0)
Net income (loss)	$ (15.6)	$ (18.9)	$ (30.4)	$ 14.5
Earnings (loss) per common share:				
Prior to accretion	$ (0.42)	$ (0.50)	$ (0.47)	$ 0.11
After accretion				
From continuing operations	$ (0.34)	$ (0.48)	$ (0.52)	$ 0.10
From discontinued operations	(0.08)	(0.02)	(0.04)	(0.03)
Earnings (loss) per common share	$ (0.42)	$ (0.50)	$ (0.56)	$ 0.07
Diluted earnings (loss) per common share	$ (0.42)	$ (0.50)	$ (0.56)	$ 0.02

The Pool's sales and other operating revenues are seasonal, with the largest percentage of sales occurring in the fourth quarter (May to July period), when the majority of agri-products sales occur and producers ship grain to free up on-farm storage for the following harvest. In general, the primary variances between the quarterly sales in 2004 versus 2003 are the result of:

- The drought during the 2002 growing season that slashed western Canadian production by 45%, severely hampering the 2003 grain volumes available to the Pool's elevator system and port terminals.
- Lower non-Board grain prices in 2004 versus 2003.
- Lower shipments of feed grains in quarters one and two .

Earnings from continuing operations were lower in each quarter of 2003 versus 2004 primarily due to drought-reduced grain volumes.

Earnings from discontinued operations primarily reflected the poor conditions plaguing the hog industry and the losses sustained by the pork business. In addition, subsequent to the second quarter of 2004, the Pool announced its intention to exit that industry. During the second quarter, the Pool recorded a $10.7 million impairment of long-lived assets mainly with respect to the hog operations. In the fourth quarter of 2004, the primary reason for the variance was a $6.0 million tax recovery related to the disposition of the hog operations.

There were a number of recoveries and one-time items that impacted the net earnings (losses) for the quarters from continuing operations. They are summarized as follows:

Table 1

Saskatchewan Wheat Pool
One-time Items – Summary

(in millions)

Fiscal 2004	October 31	January 31	April 30	July 31	Total
Grain	$ 0.0	$ 7.1	$ 0.0	$ 2.9	$10.0
Corporate	0.0	0.0	1.6	0.0	1.6
Total one-time items in EBITDA	0.0	7.1	1.6	2.9	11.6
Provisions	0.0	0.0	0.0	6.2	6.2
Total one-time items in EBIT	0.0	7.1	1.6	9.1	17.8
Tax recoveries	0.0	2.6	0.0	0.0	2.6
Tax impact of one-time items	0.0	(2.6)	(3.2)	(1.2)	(7.0)
Total tax impact	0.0	0.0	(3.2)	(1.2)	(4.4)
Total one-time items in net income (loss)	$ 0.0	$ 7.1	$(1.6)	$ 7.9	$13.4
		(a)	(b)	(c)	

Table 1 continued

Fiscal 2003	October 31	January 31	April 30	July 31	Total
Grain	$ 4.9	$ 2.9	$ 2.0	$ 2.5	$ 12.3
Corporate	0.7	0.0	0.0	0.8	1.5
Total one-time items in EBITDA & EBIT	5.6	2.9	2.0	3.3	13.8
Tax impact of one-time items	(2.1)	(1.1)	0.0	0.0	(3.2)
Total one-time items in net income (loss)	$ 3.5	$ 1.8	$ 2.0	$ 3.3	$ 10.6
	(d)	(d)	(e)	(e)	

One-time items primarily include:

(a) property taxes rebate and interest income on corporate income tax refund
(b) capital refund net of income taxes
(c) recovery from sale of interest in Mexican terminal
(d) grain volume insurance net of income taxes
(e) grain volume insurance

SUMMARY OF CONSOLIDATED RESULTS

Readers should refer to the "Financial Restructuring and Fresh Start Accounting" and "Discontinued Operations" discussions at the beginning of this Management's Discussion and Analysis when reviewing the following commentary on results.

Readers should also reference the One-time Items chart above when reviewing the Summary of Consolidated Results, the Segment results for Grain Handling and Marketing and the Corporate Expenses discussion.

Fiscal 2004 sales and other operating revenues were $1.4 billion, up $67 million from the previous year. Strong grain shipments and a 4% improvement in Agri-product sales were partially offset by a 15% reduction in Agri-food Processing sales and by lower overall grain prices in 2004. While non-Board grain prices impact the value of sales recorded by the Pool, grain volumes are the primary driver of margins and earnings.

Selling and administrative expenses for fiscal 2004 were $52 million compared to $49 million for fiscal 2003, with the variance largely relating to performance-based compensation programs.

The Pool generated $87 million in EBITDA compared to $23 million in fiscal 2003. Excluding the one-time items noted in Table 1, full year EBITDA in 2004 grew $66 million year-over-year.

Results for this year reflect improvements in the Grain Handling and Marketing segment, which benefited from larger volumes due to crop size, better crop quality and improved export opportunities. The Agri-products segment results also improved as the Pool took advantage of early purchase opportunities, renewed customer confidence, and better seed margins to drive the year-over-year EBITDA improvement.

Amortization for the twelve months was $24.6 million and $11.5 million for the last six months ended July 31, 2003. Amortization for these two periods reflects the post-restructuring asset base, which was re-valued based on the principles of fresh start accounting. Amortization charges for the first six months of 2003 were based on asset values prior to the restructuring and totalled $21.4 million.

The Pool earned $69 million in earnings before interest and taxes (EBIT) in fiscal 2004. In fiscal 2003, the Pool lost $21 million in the first six months and subsequently earned $11.5 million in EBIT in the final six months. Both years include one-time items as noted in Table 1.

Interest expense for the year totalled $39 million including $10.5 million in non-cash interest accretion. Accretion is an accounting concept where discounted debt balances are increased on a systematic basis to eventually equal their face value at maturity. Interest expense in the previous fiscal year was $26 million in the first six months prior to financial restructuring (including $5.6 million of non-cash amortization related to deferred financing costs – the deferred financing costs were subsequently eliminated through the fresh start accounting process). An additional $23 million of interest was recorded for the final six months of 2003 based on the post-restructuring value of the Pool's debt (including $5.7 million of non-cash interest accretion).

Net income from continuing operations for the twelve-month period ended July 31, 2004 was $18 million. In the prior year, the Pool lost $31 million in the first six months and an additional $9 million in the final six months of that year.

The loss from discontinued operations for 2004 totalled $13 million for the year. The Pool exited the hog production, feed processing and aquaculture industries in fiscal 2004. The results from these operations, previously reported in the Other segment, have been classified as discontinued operations on the Consolidated Statements of Earnings and Retained Earnings (Deficit). For the discontinued operations, approximately $10 million in operating losses and a $9 million loss on sale were partially offset by a $6 million recovery of corporate taxes.

Consolidated net income for Saskatchewan Wheat Pool for fiscal 2004 was $5 million, marking the first year since 1998 that the Pool has generated net income. Earnings per share were $0.02 prior to accretion on the convertible notes and $(0.07) per share after accretion. In fiscal 2003, the Pool lost $34 million in the first six months ($0.92 per share) and an additional $16 million ($0.27 per share) in the last six months. The accretion applied to earnings per share in 2004 and for the last six months of 2003 results from the application of fresh start accounting at January 31, 2003. The accounting treatment required the Pool's Convertible Subordinated Notes to be valued at the estimated fair value at that time. The systematic increases in the equity value of the convertible note will continue until the value of the equity associated with the Pool's convertible note equals the face value of the notes and the accrued interest not paid in cash of the remaining unconverted notes at maturity.

Excluding the one-time items included in the 2004 results, income from continuing operations for 2004 would have been $4.5 million. The loss from continuing operations last year excluding one-time items would have been $35.9 million for the first six months of 2003 and $14.4 million for the final six months of that year.

SEGMENT RESULTS

GRAIN HANDLING AND MARKETING

The Pool's Grain Handling and Marketing segment shipped 6.4 million tonnes of grains and oilseeds during fiscal 2004, up 34% over last year, while total port terminal volumes almost doubled to 4.5 million tonnes, from 2.4 million tonnes last year. This increase in pipeline volume, combined with strong operation and logistics execution, helped the company improve its pipeline margin to approximately $21.00 per tonne, up from $15.50 per tonne earned on average last year.

(in thousands)	Volumes		
	Fiscal 2004	Fiscal 2003	Increase
Primary Elevator Receipts	6,170	4,161	48%
Primary Elevator Shipments	6,391	4,761	34%
Terminal Operations			
Vancouver	2,571	822	213%
Thunder Bay	1,286	1,185	9%
Share of Affiliates	615	424	45%
Total Terminal Operations	4,472	2,431	84%

Producer deliveries rebounded this year as the Pool worked closely with industry partners to secure export demand and new supply opportunities to support higher grain volume receipts from Prairie producers. The Pool's western Canadian market share remained in the 21% range, up slightly in Saskatchewan and on par with the previous year in the Alberta and Manitoba marketplaces. EBITDA also rebounded.

Key to this rebound has been higher crop volumes and the Pool's implementation of various strategies over the past several months to manage inventories and logistics in an effort to maximize margins and control costs. EBITDA for the twelve months was $60 million, compared to $0.8 million in the previous year. EBIT from Grain Handling and Marketing was $51 million for the year. Last year, EBIT from the grain segment was a loss of $8 million in the first six months and an additional $11 million loss in the final six months of the year. These results include one-time items noted in Table 1.

AGRI-PRODUCTS

The Pool's Agri-products segment had a strong year with a 4% increase in sales and 36% increase in EBITDA. Sales for the year totalled $460 million, compared to $443 million in fiscal 2003. In the Pool's own retail operation, seed sales grew 15%, and crop protection products sales grew 4%. These improvements offset the 3% decline in fertilizer sales resulting from lower demand due to wet weather conditions in the spring.

With the exception of fertilizer, margin percentages strengthened in all major product lines offered through the Pool, with improvements ranging from 4% to 10% depending on the product. In total, the Agri-products segment generated EBITDA in the twelve months ending July 31, 2004, of $32 million, up from $23 million earned last year. A combination of factors led to these results. The Pool was able to pre-purchase product to secure better pricing earlier in the year. In addition, the sale of higher-margin seed products and renewed customer confidence helped the company attract more customers and improve market share.

EBIT for the Agri-products segment ended the year at $22 million. In the previous year, the Pool lost $10 million in the first half of the year and earned $25 million in the final six months of 2003.

AGRI-FOOD PROCESSING

Sales from the Agri-food Processing segment totalled $111 million compared to $130 million in 2003. Sales for Prairie Malt normalized after experiencing the impact of poor crop conditions on their marketing programs in 2003. At Can-Oat Milling, the price of the raw material (oats) was down due to market conditions and overall lower commodity prices relative to 2003. Volumes were down approximately 6% for the year, reflecting the seasonal slowdown through the summer and a small reduction in demand as a result of the low carbohydrate trend in 2004. The mix of product manufactured through Can-Oat remained relatively unchanged, with the majority of tonnes sold being finished oats product. As a result, margins remained relatively stable in 2004.

EBITDA from the Agri-food Processing segment for the year was $14 million compared to $15 million in 2003.

EBIT was $9 million for the twelve months ended July 31, 2004. In the previous year, the segment generated EBIT of $4 million in the first half of the year and $6 million in the second half.

CORPORATE EXPENSES

Corporate expenses for fiscal 2004 were $18.6 million compared to $16.2 million in fiscal 2003. Excluding the one-time items noted in Table 1, the increase in corporate expenses is primarily associated with performance-based compensation programs.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

Current assets were $324 million at July 31, 2004, down $73 million from the previous year-end. Decreases of $58 million in accounts receivable, $20 million in short-term investments held by a joint venture and $11 million in inventory were partially offset by an increase in cash of $15 million. The decrease in accounts receivable is due primarily to lower prices and volumes of grain held on behalf of the CWB. Lower inventories reflect the sales of the hog production, feed processing and aquaculture businesses.

The increase in cash resulted from lower accounts receivable and inventory at year-end as well as the free cash flow generated by the Pool for the year. Short-term borrowings on the Pool's operating line were reduced from $93 million at July 31, 2003 to zero at July 31, 2004. The Pool will use the cash and draw on its operating lines of credit as it purchases non-Board grain inventories and as CWB receivables increase through the fall harvest period. The company utilizes an asset-backed loan facility to fund its daily operating requirements. This facility matures in July 2005 and the Pool is currently engaged in discussions to secure a new operating facility.

Current liabilities were $210 million at July 31, 2004, down $93 million from July 31, 2003. The elimination of drawings on the Pool's operating line primarily explains the reduction. Member loans increased by $10 million, reflecting renewed confidence in the Pool's financial stability. This increase was offset by lower accounts payable and accrued liabilities.

Working capital increased to $114 million at July 31, 2004, from $95 million at July 31, 2003. The current ratio was 1.54 compared to 1.31.

Cash Flow Information

Cash flow from continuing operations was $59 million for the year ending July 31, 2004. Cash flow used in continuing operations was $22 million for the first six months of fiscal 2003. Cash flow from continuing operations was $8 million for the last half of the year. The 2004 recovery reflects significantly improved results from both the Grain Handling and Marketing segment and the Agri-products segment.

Capital expenditures were $17 million for the year ended July 31, 2004, as the Pool targeted its spending to the Pool's Vancouver port terminal and other core assets within its pipeline. Capital expenditures are expected to range from $20 to $25 million for fiscal 2005, a typical annual spending program for the Pool.

The company receives regular dividends from certain of its subsidiaries and joint ventures. The level of dividends received is dependent on a number of factors, including the profitability, cash flow and capital spending programs of those entities as well as covenants contained within their financing agreements.

Dividends from joint ventures are also dependent on the agreement of the joint venture partner. The Pool is not dependent on these dividends to fund its capital spending programs and meet its financial obligations.

Total Debt (in millions)	2004	2003
Bank indebtedness	$ 30	$ 28
Short-term borrowings	2	93
Member demand loans and shares	20	11
	52	132
Bank term loan	80	91
Senior Subordinated Notes	132	125
Convertible Subordinated Notes – debt component	28	24
Members' term loans	4	5
Subsidiaries and proportionate share of joint venture debt	16	29
Total term debt including portion due in one year	260	274
Total debt	$ 312	$ 406

The Pool repaid its bank term loan by approximately $10 million during the year ending July 31, 2004 with proceeds from the sale of its interest in the pork and feed industries in accordance with its credit agreement with the company's lenders. Interest is paid monthly on the bank term loan at a rate of 8% per annum until the commencement, on October 1, 2005, of blended interest and principal payments of approximately $1.5 million per month.

The value of the Senior Subordinated Notes increased $7 million at July 31, 2004 due to accretion. The difference between the $150 million principal amount of the Senior Subordinated Notes and its fair value recorded on the January 31, 2003 fresh start balance sheet is being accreted systematically over its life as a non-cash interest expense. Interest on these notes is paid monthly into a trust and distributed quarterly to the holders. No principal payments are due until maturity on November 29, 2008.

The debt component of the Convertible Subordinated Notes of $28 million represents the present value of the cash interest, which was expected to be paid in 2006, 2007 and 2008 at the time of the January 31, 2003 restructuring. This interest is payable in cash if the company meets certain threshold tests based on the excess of cumulative EBITDA over cash interest. Fiscal 2003 was the first year included in the calculation. Management now believes that the test will not be met given:

a) lower-than-average grain volumes from the 2003 harvest that limited the full 2004 EBITDA potential of its grain segment, and

b) the reduction in EBITDA resulting from the sale of its interests in the pork and feed industries.

Interest accretion will continue until such time as the dates have passed and the actual interest based on the tests has been formally determined. This treatment is in accordance with the CICA Emerging Issues Committee Abstract #70. If the payments are not made, the interest is payable on November 30, 2008, at which time the Pool has the right to, and expects to, satisfy its interest and principal payment obligations by converting the notes into voting common shares.

Subsidiaries and the Pool's proportionate share of joint venture debt decreased by $14 million due to the sale of the pork and feed businesses and as a result of scheduled principal repayments by those firms.

The Pool's total debt-to-equity ratio at July 31, 2004 was 62:38 (July 31, 2003 – 71:29) and its long-term debt-to-equity was 58:42 (July 31, 2003 – 63:37).

Convertible Subordinated Notes

Convertible Subordinated Notes with a principal value of $255 million were issued under the Pool's financial restructuring initiative. Each $1,000 of notes is convertible, at the option of the holder, into approximately 2,227 Class B non-voting shares at any time prior to the November 30, 2008 maturity date. Conversions of the Notes to July 31, 2004 were as follows:

(In thousands)	Convertible Notes Face Value	Class B Shares
Issued January 31, 2003	$255,000	60,363
Conversions – six months ended July 31, 2003	(50,172)	111,744
Notes outstanding July 31, 2003	204,828	172,107
Conversions – year ended July 31, 2004	(26,990)	60,112
Notes outstanding July 31, 2004	$177,838	232,219

At September 30, 2004, there were $173.7 million of par value Convertible Subordinated Notes outstanding, which if converted, would translate into an additional 398,827,321 Class B non-voting shares.

At maturity, the Pool has the right to convert, subject to certain conditions, the Convertible Subordinated Notes into shares of a single class of voting common shares of the Pool that represents 90% of the outstanding shares of such class on a fully diluted basis, provided that any conversions by holders of such notes into Class B non-voting shares prior to maturity proportionately reduces this 90% conversion ratio. Given the number of Convertible Subordinated Notes that have been converted by holders since January 31, 2003, current holders would receive shares on a fully diluted basis, representing approximately 63% of the total outstanding shares as of July 31, 2004.

On the July 31, 2004 balance sheet, $129 million of the Convertible Subordinated Notes was classified as equity and $28 million was classified as debt. The difference between the sum of these amounts ($157 million) and the $178 million par value of the notes, along with future interest accruals of $114 million, is being accreted to November 30, 2008.

Class B Non-Voting Shares

There were 232,218,749 Class B non-voting shares outstanding on July 31, 2004. As of September 30, 2004, there were 241,411,940 Class B non-voting shares outstanding.

Debt Ratings

The following debt ratings have been assigned by Dominion Bond Rating Services (DBRS) and Standard and Poors (NR means not rated):

Rating Agency	Corporate Rating	Bank Debt	Senior Note	Convertible Note
DBRS	B stable	NR	B low	NR
Standard & Poors	B stable	B	CCC+	CCC+

Defined Benefit Pension Plan Surplus

The Pool has three defined benefit pension plans. Two of the plans required employee and company contributions. The Pool is currently on a contribution holiday for these two plans due to income tax regulations relating to surpluses. For the

third plan, only company contributions are required. These defined benefit pension plans have a combined surplus of $56 million at July 31, 2004, $48 million at July 31, 2003. For more information refer to Note 20a.

Contractual Obligations

(in thousands)		Payments due by Period			
	Total	Less than 1 Year	1–3 years	4–5 years	After 5 years
Long-term debt	$249,900	$ 7,893	$ 33,021	$206,531*	$ 2,455
Operating leases	12,976	4,864	6,024	2,088	–
Purchase obligations	17,345	17,345	–	–	–
Other long-term obligations	41,504	9,134	14,603	6,752	11,015
Total contractual obligations	$321,725	$ 39,236	$ 53,648	$215,371*	$ 13,470

* Assumes that the Pool converts all outstanding Convertible Subordinated Notes, upon maturity, to a single class of common shares.

Off Balance Sheet Transactions

Under the terms of an agreement, Farm Credit Canada provides credit to the Pool's farming customers for the purchase of crop inputs. Please refer to the discussion under Credit Risk and Note 17b in the Notes to the Consolidated Financial Statements.

Related Party Transactions

Transactions with joint ventures and subsidiaries are eliminated in accordance with consolidation accounting principles. There are no significant related party transactions with equity accounting or cost accounting investees.

Fourth Quarter

Sales and other operating revenues for the quarter were $542 million, up $94 million or 21% from the prior year's fourth quarter, driven by strong grain shipments. Agri-products sales were up slightly over the previous year's quarter, while Agri-food Processing sales were approximately 21% lower than the previous year's quarter due to softer demand industry-wide in the finished cereals market.

Consolidated earnings before interest, taxes and amortization (EBITDA) were $41 million, up from the $29 million recorded in the final quarter of 2003. Prior to interest and taxes, the Pool recorded earnings (EBIT) of $41 million for the quarter, which compares to $23 million in the previous year. Both periods include one-time items noted in Table 1.

Interest for the quarter was $9.2 million (including $2.8 million in non-cash interest), compared to $9.5 million last year (including $2.4 million in non-cash interest).

Net income from continuing operations for the final three months was up approximately $2 million to $20.4 million. Income from discontinued operations for the quarter was approximately $8 million. This primarily reflected a recovery of corporate taxes resulting from the wind-up of the Other segment, which included the Pool's prior investments in hog production, aquaculture and feed milling.

Excluding the one-time items in the 2004 fourth quarter, income from continuing operations would have been $12.4 million. The income from continuing operations in the fourth quarter last year excluding one-time items would have been $15.2 million.

Saskatchewan Wheat Pool generated net income of $29 million in its fourth quarter ended July 31, 2004 – approximately double the $14.5 million the company posted in last year's fourth quarter. A 65% increase in shipments through the Pool Prairie elevators helped drive earnings per share to $0.10 for the quarter, compared to earnings per share in the same quarter last year of $0.07 per share.

Cash flow strengthened year-over-year, with the Pool generating $37 million in cash from operations for the quarter, or $0.16 per share, compared to $26 million or $0.20 per share in the fourth quarter of fiscal 2003.

The Pool's Grain Handling and Marketing segment shipped 1.9 million tonnes during the quarter, compared to 1.2 million tonnes in the fourth quarter of 2003. Port terminal volumes recovered to 1.0 million tonnes in the final three months, a

26% increase over the 0.8 million tonnes shipped between May and July of 2003. These increases reflect higher production levels and better crop quality from the 2003 harvest, which generated additional export opportunities for the Pool's grain business. Segment EBITDA was $16 million for the quarter, including one-time adjustments, up from a loss of $1 million in the final quarter of 2003. EBIT for the quarter was $15 million, including one-time adjustments. Last year's quarterly EBIT was a loss of $3 million.

Sales from the Pool's retail agri-products operation combined with its share of revenue from joint venture affiliate, Western Co-operative Fertilizers Limited, were $278 million, up $2 million from the fourth quarter last year. The Pool's retail operations performed well, with a 12% increase in crop protection product sales, which more than offset a 7% decline in fertilizer sales, a result of wet weather during the growing season this spring and summer. EBITDA from the Agri-products segment for the quarter was $30 million, compared to $32 million in the fourth quarter last year. The change was due to less demand for fertilizer, partially offset by higher seed and crop protection product margins. EBIT was $27 million for the fourth quarter of fiscal 2004. EBIT was $29 million for the same quarter in fiscal 2003.

For the Agri-food Processing segment, sales for the quarter were $26 million, compared to $33 million in the last quarter of fiscal 2003. Prairie Malt Limited sales grew approximately 4% from last year's fourth quarter as the company recovered from the impact of the previous year's drought. This increase partly offset a decrease in Can-Oat Milling's sales volumes reflecting softer demand for oat ingredients industry-wide. EBITDA for the final quarter was $2.5 million, compared to $3.3 million last year. EBIT was $1.3 million in the fourth quarter of 2004. EBIT in the fourth quarter of 2003 was $2.1 million.

Critical Accounting Estimates

In preparing the company's consolidated financial statements, management is required to make assessments and estimates as to the outcome of events in the future. This assessment is made using the best information available to management at the time. The following is an analysis of the critical accounting estimates.

Grain Handling and Marketing Segment

The Grain Handling and Marketing segment contains a $4 million provision related to a receivable for product delivered to a customer in Mexico. The provision was provided in fiscal 2003 and, at that time, covered approximately 50% of the potential exposure. At July 31, 2004 the provision of $4 million completely covers the exposure. If the company is successful in recovering this receivable, earnings would increase in future years.

Agri-products Segment

1. Under the terms of an agreement, a financial institution provides credit for the purchase of crop inputs to customers of the Pool. Loans under the program are secured by a general security agreement granted by the customer covering the crop and farm assets. Under the agreement, the company has agreed to reimburse this financial institution for loan losses in excess of a reserve. At July 31, 2004, $162.6 million of these loans were outstanding, of which $157.9 million related to the fiscal 2004 program. The loan loss provision has been estimated at $5.0 million; this provision has been established based on historical results from fiscal 2002 and 2003. When payments for delinquent accounts are made to the financial institution with respect to this program, the delinquent account is assigned to the Pool and the Pool is then to collect the amounts payable by the customer. Subsequent collections of these delinquent accounts are allocated to the Pool and the financial institution in accordance with each party's pro-rated share of the collection proceeds.

   At July 31, 2004, there remain $4.7 million of loans outstanding that relate to the fiscal 2003 program. The company will be reimbursing the financial institution for any unpaid loans in December 31, 2004. The loan loss provision was estimated to be $4.2 million at July 31, 2004.

   To the extent that loan losses for the fiscal 2003 or 2004 program exceed or are lower than the estimate of $4.2 million or $5.0 million, respectively, earnings will be adjusted in future years.

2. In 1987, a joint venture in which the Pool has an interest closed two facilities that manufactured phosphate and nitrate fertilizers. The joint venture has provided for the costs of the reclamation process. Reclamation involves the demolition of the manufacturing facilities and reclamation of the phosphogypsum stacks. The Pool's share of the

estimated costs included in long-term liabilities is $12.6 million. The joint venture reviews the provision on a regular basis to ensure that the costs to complete the work are appropriately reflected in its financial statements.

To the extent that the estimate for reclamation changes in the future, the earnings of the joint venture will be impacted.

Agri-food Processing Segment

There are no critical accounting estimates in this segment.

Changes in Accounting Policies

The accounting policy change made in fiscal 2004 relates to Canadian Institute of Chartered Accountants (CICA) Accounting Guideline 13 – Hedging Relationships. Please refer to the July 31, 2004 Notes to the Consolidated Financial Statements – Note 3o(i). The effect of this change in accounting policy was negligible.

The accounting policy change made in fiscal 2003 relates to CICA Emerging Issues Committee Abstract 123 regarding revenue recognition. The effect of this change is described in the July 31, 2004 Notes to the Consolidated Financial Statements Note 3o(ii).

Future changes in accounting policies include the adoption of CICA Section 3110 Asset Retirement Obligations.

Financial and Other Instruments

The Pool is involved in the purchase, sale and processing of raw agricultural commodities. Agricultural commodities are subject to price fluctuations due to numerous unpredictable factors that may create price risk. The company enters into derivative contracts, exchange-traded futures and options contracts and forward purchase and sales contracts, with the objective of managing the exposure to adverse price movements in agricultural commodities. The daily net commodity position consists of inventory, related forward purchase and sales contracts, and exchange-traded futures and options contracts.

The Pool uses these derivative contracts to minimize the effects of changes in the prices of hedgable agricultural commodities. Exchange-traded futures and options contracts and forward purchase and sales contracts are marked to market at market values, which are based on quoted market prices adjusted for freight and handling costs. The unrealized gains and losses for hedgable commodity positions are recognized as cost of sales in the consolidated statements of earnings and retained earnings (deficit).

The company has practices and policies in place to limit the amount of unhedged fixed-price commodity positions the company is allowed to maintain. On a daily basis the company measures the combination of quantity and value at risk.

The Pool is exposed to fluctuations in foreign currency exchange rates on transactions denominated in foreign currencies.

The company uses derivative financial instruments, such as foreign currency forward contracts and futures contracts, to limit exposures to changes in foreign currency exchange rates with respect to its recorded foreign currency denominated assets and liabilities and forecast transactions. These derivative instruments are marked to market value. In certain areas of the company not related to the handling and marketing of grain, the company commenced application of the CICA Accounting Guideline 13. Hedge accounting is same period recognition, in income, of the gains, losses, revenues and expenses associated with a hedged item and the hedging instrument. In the remaining areas of the company, unrealized gains and losses on forward foreign exchange and futures contracts are marked to market and recognized as sales and other operating revenues in the consolidated statements of earnings and retained earnings (deficit).

The company has established policies that measure and review the company's exposure to foreign currency risk on a daily basis.

Further information is provided in the July 31, 2004 Notes to the Consolidated Financial Statements – Note 23.

LOOKING FORWARD

Prairie-wide rains during the early spring season of 2004 replenished soil moisture levels but delayed seeding throughout the majority of the growing region by approximately three weeks. The summer months brought substantial moisture, and early estimates suggested bumper crops throughout Western Canada. Continued moisture and cooler than average weather slowed maturity, and on August 20, the Prairie region experienced an early frost that cut quality expectations and reduced production levels. Harvest has experienced substantial delays, and as of October 27, 2004, approximately 90% of the harvest was complete. Harvest is typically finished by this time of the year.

There is substantial uncertainty as to the ability of farmers to harvest the remaining 10% in the fall, given recent snowfalls that have blanketed the Prairies. Grain that remains in the field may be taken off in the spring, but its quality will suffer substantially. Based on an October 6, 2004 Statistics Canada estimate, grain production for the 2005 fiscal year is forecast at 50.5 million tonnes, approximately 96% of the five-year average. The amount of grain available to the elevator system in Western Canada is expected to increase from 28.1 million tonnes in the previous year to 30.2 million tonnes (92% of the five-year average) assuming that 100% of the crop gets harvested. However, crop quality has suffered this year because of excess moisture and cold weather, and the industry now expects that the amount of feed wheat available to grain handlers in 2005 could range from 35% to 50%, versus 10% in a typical year.

This will present some challenges to the CWB and grain industry participants as they try to secure new export demand for lower-quality product. The CWB does not typically trade into this market and will have to work with new customers to solidify sales. The most recent industry estimates for the CWB export program are 17 mmt, however the Pool now expects exports to be closer to 2004 levels which were 16 million tonnes.

For the Pool, the company expects volumes to track production increases but is tempering its margin expectations given the lower percentage of high-quality grains and oilseeds available to it in fiscal 2005. In a regular year, the Pool earns between \$20 and \$22 per tonne. Given the lower-quality grains and oilseeds available, margins are currently expected to decline by 10–15% in 2005.

For the Agri-products business, the restoration of soil moisture content bodes well for next year's growing season. However, wet weather coupled with the delays in harvest will mean fewer farmers will be able to complete their fall fertilizer applications. A large portion of these sales will be made in the spring. Moisture conditions remain favourable and because the majority of the Pool's Agri-products earnings occur in the spring and summer, management remains optimistic about its prospects for the Agri-products segment in 2005.

The first quarter is typically the second strongest in any given fiscal year. This year, because harvest was so late and no grain was moving into the elevator system nor were there significant fall agri-products sales, first quarter results are expected to be poor. Timing of grain volumes into the second quarter will be dependent on weather conditions and, as a result, expectations are for heavier movement in the last half of 2005.

RISK MANAGEMENT

The Pool faces certain risks, including weather, strategic, market, financial restriction, credit and foreign exchange risk which can impact its financial performance. For additional information on other general business and environmental risks, readers should review the 2004 Annual Information Form.

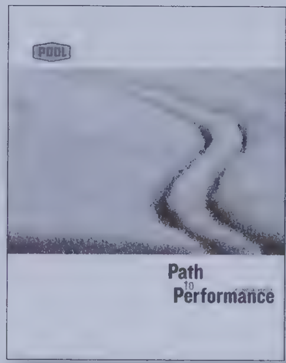
Governance and Oversight

The Pool's Risk Management Committee (the "Committee") is a senior management committee responsible for assessing enterprise risks and implementing strategies to reduce the company's exposure. The Committee meets regularly to assess risks and direct risk-mitigation activities. Regular reports are provided to the Audit Committee of the Board of Directors.

Weather Risk

The Pool's most significant risk, as an agri-business company, is the weather. The effects of weather conditions on crop quality and production volumes present significant operating and financial risk to the Pool's Grain Handling and

Shareholder Reply Card



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Market Risk

A significant portion of the company's sales are derived from its Grain Handling and Marketing segment. Earnings for this segment fluctuate based on the volume of grain handled and the margins earned on the purchase and sale of non-Board grains. In the case of CWB grain, the Pool earns storage and handling tariffs from the CWB, which are established independently of the market price for grain.

Approximately 60% of the grain shipped by the Pool is Canadian Wheat Board grain – wheat and barley sold by or on behalf of the CWB into the export and domestic markets. For these grains, the company's risks are reduced in part through the terms of formal legal arrangements between the Pool and the CWB. The arrangements provide for full reimbursement of the price paid to producers for grain as well as certain costs incurred by the Pool. Adverse impacts may be experienced by the Pool where handling of Board grain results in a loss of grade or, in the case of the CWB's tendering program, if the Pool fails to meet the requirements under the tendering contract. The Pool employs grain grading, handling procedures and quality testing throughout the pipeline to help mitigate these risks.

For non-Board grains and oilseeds purchased by the Pool, the Pool faces the risk of movement in price between the time the grain is purchased and the time that it is sold. Financial risk management activities commonly referred to as "hedging", where such opportunities exist, can reduce this risk. Not all such activities, however, necessarily qualify for hedge accounting or are accounted for as hedges. Hedging is the placing of an opposite position in the futures market to that held in the cash market to reduce the risk of financial loss from an adverse price change.

The Pool hedges non-Board grain purchases and sales to the extent possible. This is accomplished by hedging purchases and sales of non-Board grains through regulated futures markets. Because of the size of future contracts and certain time constraints, it may not be possible to be fully hedged at all times. Special crops are more difficult to hedge, as no regulated futures market exists for these commodities and the hedging instruments available lack liquidity. Where possible, financial exposure to un-hedged purchases and sales is reduced by back-to-back buying and selling.

The Pool employs a comprehensive Risk Management Policy, in which position limits are utilized to restrict its exposure to changes in commodity prices. Position limits set out the amount of market exposure the company is willing to tolerate by commodity. The Policy defines these tolerance levels based on the size of the original position, liquidity in the futures market along with a number of other factors. Various authorization levels are also set out in the Policy. The Risk Management Committee, an executive management committee, must approve changes to the Policy. Any changes are reported to the Board's Audit Committee.

Financial Restrictions

The credit agreement with the company's lenders and the Trust Indenture for the Senior Subordinated Notes and the Convertible Subordinated Notes contain provisions that require the company to comply with certain financial restrictions. The Pool is required to meet certain financial tests, including minimum levels of EBITDA, a minimum current ratio and a maximum annual level of capital expenditures. In addition, these agreements limit the company's and its subsidiaries' ability to incur additional indebtedness and make additional investments.

The company's ability to comply with these agreements may be affected by risks as noted in this Risk Management section and certain others beyond its control, like weather. The company may require the consent of its lenders to undertake certain transactions, such as mergers or the sale of assets or businesses. Substantially all of the company's assets have been pledged to secure the existing funded debt of the Pool.

Credit Risk

The Pool is exposed to credit risk in connection with credit provided to its customers, including credit provided on agri-products purchases through a third party. Credit defaults by the Pool's customers could have a material adverse effect on the Pool's financial results and financial condition. The Pool shares responsibility for defaulted accounts and loan losses with Farm Credit Canada, its partner in the FarmSmart agri-products credit program. The allowance for doubtful accounts under this program averaged less than 2% of sales per program year in its first two years of operation.

The Pool manages credit risk through adherence to its established Credit and Collection Policies. The Credit Policy outlines the terms and conditions for granting credit to customers and continuing credit sales. The Collection Policy provides the framework for collections of past due accounts. Any exceptions to the Credit and Collection Policies require the written approval of the Pool's executive management. These policies cover the Pool's agri-products and commercial grain credit facilities, as well as the credit facilities for Can-Oat Milling.

The Pool pursues a payment and country risk reduction strategy for offshore customers through the use of export financing arrangements, strategic business alliances and country risk reporting. Export financing payment arrangements include cash prior to unloading, cash against documents and obtaining confirmed letters of credit. Activity is continually monitored to ensure the Pool's exposure is within acceptable limits.

Foreign Exchange Risk

Significant portions of Can-Oat's oat products and the Pool's non-Board grains are sold into the export market and are priced in U.S. dollars. Can-Oat and the Pool hedge substantially all foreign currency transactions using options, futures currency contracts or forward exchange contracts, and through the use of natural hedges created by offsetting transactions. To the extent that the companies have not fully hedged this foreign exchange risk, an appreciation of the Canadian dollar against the U.S. dollar or other relevant currencies could have a material adverse effect on the Pool's financial results.

Financial Leverage and Funding Requirements

As a result of external factors such as adverse weather conditions, poor crop production or poor crop quality in Western Canada, there is a risk in the short or medium term that the company may not be able to generate sufficient cash to adequately fund its operations, its capital expenditures and service its principal and interest payments. If the Pool's cash flow was not sufficient for these purposes, it may need to seek additional financing, dispose of certain assets or refinance some or all of its debt. In addition, the Pool's current financial leverage could impair its ability to obtain additional financing, which could reduce the company's flexibility to respond to business opportunities, changes in its market or economic environment or a downturn in the business.

The company may require additional funding for its operations in the short and medium term. The availability and suitability of funding will depend on a number of factors, including the Pool's future financial performance and financial condition. The company utilizes an asset-backed loan facility to fund its daily operating requirements. This facility matures in July 2005 and the Pool is currently engaged in discussions to secure a new operating facility.

EBIT AND EBITDA DATA

The EBIT and EBITDA data provided herein is intended to provide further insight with respect to the company's financial results, including its results on a segment-by-segment basis and to supplement its earnings (loss) as determined in accordance with GAAP. The Pool's method of calculating EBIT and EBITDA may not be comparable to other companies in the industry. EBIT should therefore not be used as an alternative to net earnings (loss) as determined in accordance with GAAP. Similarly, EBITDA should not be used as an alternative to cash provided by operating activities as determined in accordance with GAAP.

FORWARD-LOOKING INFORMATION

Certain statements in this annual report and this Management's Discussion and Analysis are forward-looking and reflect the Pool's expectations regarding future results of operations, financial condition and achievements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance and achievements of the Pool to be materially different from any future results, performance and achievements expressed or implied by those forward-looking statements. A number of factors could cause actual results to differ materially from expectations, including weather conditions, crop production and crop quality in Western Canada; world agricultural commodity prices and markets; producers' decisions regarding total seeded acreage, crop selection, and utilization levels of farm inputs such as fertilizers and crop protection products; the extent of the company's financial leverage and funding requirements; credit risk; foreign exchange risk; changes in the grain handling and agri-products competitive environments, including pricing pressures; Canadian grain export levels; changes in government policy and transportation deregulation; international trade matters; global political and economic conditions, including grain subsidy actions and tariffs of the United States and the European Union; competitive developments in connection with the Pool's grain handling, agri-products, agri-food processing businesses and other operations; and environmental risks and unanticipated expenditures relating to environmental and other matters.

AUDITORS' REPORT TO THE SHAREHOLDERS OF SASKATCHEWAN WHEAT POOL

We have audited the consolidated balance sheets of Saskatchewan Wheat Pool as at July 31, 2004 and 2003 and the consolidated statements of earnings and retained earnings (deficit) and cash flows for the year ended July 31, 2004, the six months ended July 31, 2003 and the six months ended January 31, 2003. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at July 31, 2004 and 2003 and the results of its operations and its cash flows for the year ended July 31, 2004, the six months ended July 31, 2003 and the six months ended January 31, 2003 in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Regina, Saskatchewan
October 26, 2004

Deloitte & Touche LLP
Chartered Accountants

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management of Saskatchewan Wheat Pool is responsible for the preparation, integrity and fair presentation of the consolidated financial statements, management's discussion and analysis, and other information in this annual report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and necessarily include amounts based on management's informed judgments and estimates. Financial information contained throughout this annual report is consistent with the consolidated financial statements.

To assist management in fulfilling its responsibilities, a system of internal accounting controls has been established to provide reasonable assurance that the consolidated financial statements are accurate and reliable and that assets are safeguarded. An internal audit function evaluates the effectiveness of internal controls and reports its findings to management and the Audit Committee of the Board of Directors.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control systems. The Audit Committee is composed of independent directors who are not employees of the Corporation. The Audit Committee is responsible for reviewing the consolidated financial statements and management's discussion and analysis and recommending them to the Board of Directors for approval. To discharge its duties the Audit Committee meets regularly with management, internal audit and Deloitte & Touche LLP to discuss internal controls, accounting and financial reporting processes, audit plans and financial matters. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Deloitte & Touche LLP is responsible for auditing the consolidated financial statements and expressing their opinion thereon and their report is presented separately. The external auditors have full and free access to and meet regularly with management and the Audit Committee.

Mayo Schmidt

Mayo M. Schmidt
Chief Executive Officer

Wayne G. Cheeseman
Chief Financial Officer

October 27, 2004

(in thousands) AS AT JULY 31	2004	2003
ASSETS		
Current Assets		
Cash	$ 17,169	$ 1,882
Cash in trust (Note 17b)	1,176	487
Short-term investments	25,999	45,615
Accounts receivable (Note 6)	164,234	222,137
Inventories (Note 7)	104,887	115,972
Prepaid expenses and deposits	9,810	9,973
Future income taxes (Note 22c)	1,198	1,624
	324,473	397,690
Investments (Note 8)	5,051	5,020
Property, Plant and Equipment (Note 9)	266,842	291,603
Other Long-Term Assets (Note 10)	8,219	13,145
Future Income Taxes (Note 22c)	95,565	80,324
	$ 700,150	$ 787,782
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank indebtedness (Note 11)	$ 29,805	$ 28,192
Short-term borrowings (Note 12)	1,501	92,920
Members' demand loans (Note 13)	18,691	9,165
Members' Class A shares (Note 14)	1,783	1,791
Accounts payable and accrued liabilities (Note 15)	150,745	163,177
Long-term debt due within one year (Note 16)	7,893	7,810
	210,418	303,055
Long-Term Debt (Note 16)	251,930	265,754
Other Long-Term Liabilities (Note 17)	40,980	48,644
Future Income Taxes (Note 22c)	5,944	7,553
	509,272	625,006
Shareholders' Equity		
Share capital (Note 18)	81,287	59,417
Contributed surplus	177	84
Convertible Subordinated Notes – equity component (Note 19)	128,635	130,663
Retained earnings (deficit)	(19,221)	(27,388)
	190,878	162,776
	$ 700,150	$ 787,782

Commitments, contingencies and guarantees (Note 26)

On behalf of the Board of Directors

Terry Baker
Director

Gary Colter
Director

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS (DEFICIT)

(in thousands)	Post-reorganization		Pre-reorganization
	Year Ended July 31 2004	Six Months Ended July 31 2003 (Note 2b) (restated – Note 4)	Six Months Ended January 31 2003 (Note 2b) (restated – Note 4)
FOR THE PERIOD ENDED			
Sales and Other Operating Revenues	$ 1,407,297	$ 652,960	$ 687,524
Cost of Sales and Expenses			
Cost of sales and operating expenses	1,267,537	604,348	664,113
Selling and administrative expenses	52,419	25,591	23,085
Amortization	24,582	11,501	21,355
Provision recoveries (Note 5)	(6,216)	–	–
	1,338,322	641,440	708,553
Earnings (Loss) Before Interest and Taxes	68,975	11,520	(21,029)
Interest expense (Note 21)	39,084	23,471	26,373
Income (Loss) Before Corporate Taxes	29,891	(11,951)	(47,402)
Corporate taxes (expense) recovery (Note 22a)	(11,951)	2,830	16,825
Net Income (Loss) From Continuing Operations	17,940	(9,121)	(30,577)
Loss From Discontinued Operations (Note 4)	(12,921)	(6,788)	(3,859)
Net Income (Loss)	5,019	(15,909)	(34,436)
Retained Earnings (Deficit), Beginning of Period (Note 2)	(27,388)	–	(54,422)
Future Tax Adjustment (Note 22c)	22,990	–	–
Accretion of equity component of Convertible Subordinated Notes (Notes 18b and 19)	(19,842)	(11,479)	–
Retained Earnings (Deficit), End of Period	$ (19,221)	$ (27,388)	$ (88,858)
Basic and Diluted Earnings (Loss) Per Share (Note 18b)			
From Continuing Operations	$ (0.01)	$ (0.20)	$ (0.82)
Net Loss	$ (0.07)	$ (0.27)	$ (0.92)

(in thousands)	Post-reorganization		Pre-reorganization
	Year Ended July 31 2004	Six Months Ended July 31 2003 (Note 2b) (restated – Note 4)	Six Months Ended January 31 2003 (Note 2b) (restated – Note 4)
FOR THE PERIOD ENDED			
Cash From (Used in) Operating Activities			
Net income (loss) from continuing operations	$ 17,940	$ (9,121)	$(30,577)
Add (deduct) items not involving cash			
Amortization	24,582	11,501	21,355
Future income taxes (recovery) (Note 22a)	13,093	(1,747)	(19,245)
Pension	1,965	984	996
Interest accretion and bank refinancing amortization (Note 21)	10,496	5,693	5,616
Other items and provisions	(3,331)	340	(312)
Provision recoveries (Note 5)	(6,216)	–	–
Cash flow from (used in) continuing operations	58,529	7,650	(22,167)
Changes in non-cash working capital items			
Accounts receivable	54,810	(35,645)	27,699
Securitization of accounts receivable	–	–	5,402
Inventories	(1,785)	61,967	10,386
Accounts payable	(8,582)	(13,007)	(31,854)
Prepaid expenses and deposits	(1,781)	(516)	(555)
Changes in non-cash working capital – continuing operations	42,662	12,799	11,078
Cash from (used in) operating activities – continuing operations	101,191	20,449	(11,089)
Cash used in operating activities – discontinued operations	(8,478)	(420)	(6,600)
Cash from (used in) operating activities	92,713	20,029	(17,689)
Cash From (Used in) Financing Activities			
Proceeds of long-term debt	–	–	72,969
Repayment of long-term debt	(16,571)	(11,424)	(2,624)
(Repayment) proceeds of short-term borrowings	(91,187)	(28,749)	4,917
Repayment of other long-term liabilities, net	(2,949)	(1,874)	(637)
Increase (repayment) of members' demand loans	9,526	2,987	(18,446)
Repayment of members' Class A shares	(8)	(6)	(11)
Cash used in discontinued operations	(4,546)	(891)	(342)
Cash (used in) from financing activities	(105,735)	(39,957)	55,826
Cash From (Used in) Investing Activities			
Property, plant and equipment expenditures	(17,322)	(2,329)	(3,255)
Proceeds on sale of property, plant and equipment	3,909	11,946	1,390
Divestitures (Note 4)	22,135	–	–
(Increase) decrease in cash in trust (Note 17b)	(689)	13,411	(13,898)
(Increase) decrease in investments	(101)	378	3,168
(Increase) decrease in other long-term assets	(526)	243	(6,005)
Cash (used in) provided by discontinued operations	(326)	(212)	79
Cash from (used in) investing activities	7,080	23,437	(18,521)
(Decrease) Increase in Cash and Cash Equivalents	(5,942)	3,509	19,616
Cash and Cash Equivalents, Beginning of Period	19,305	15,796	(3,820)
Cash and Cash Equivalents, End of Period	$ 13,363	$ 19,305	$ 15,796

Cash and cash equivalents consist of cash, short-term investments and bank indebtedness (Note 3c).

Supplemental disclosure of cash paid during the period from continuing operations:			
Interest paid	$ 29,624	$ 26,914	$ 14,162
Income taxes paid, net	$ 725	$ 3,241	$ 3,190

1. NATURE OF BUSINESS

Saskatchewan Wheat Pool (the company), which is incorporated by a Special Act of the Saskatchewan Legislature, is a vertically integrated Canadian agri-business. The company's business operations include three reporting segments: Grain Handling and Marketing, Agri-products and Agri-food Processing. The company operates as a publicly traded co-operative and as such conducts a significant portion of its business activities with its shareholder members.

Weather conditions are the primary risk in the agri-business industry. Grain volumes, grain quality, the level and mix of crop inputs, and, ultimately, the financial performance of the company are highly dependent upon weather conditions throughout the crop production cycle.

The company's earnings are seasonal. Sales primarily follow weather patterns and the crop production cycle and are generally strongest in the spring when crops are seeded and in the fall when crops are harvested. Earnings in the Grain Handling and Marketing segment are generally strongest in quarter one (August – October) and quarter four (May – July) as producers deliver grain into the primary elevator system to reduce on-farm storage limitations and to generate cash flow to finance seeding and harvest expenditures. Agri-products sales of crop protection products, seed and seed treatments, fertilizer and farm equipment peak in the fourth quarter, when crops are seeded. Sales of crop protection products and fertilizer also occur in the first quarter, as producers prepare land before the arrival of inclement winter weather, in anticipation of spring seeding. Earnings and sales in the Agri-food Processing segment are less seasonal. Collectively, the sales patterns of the core Grain Handling and Marketing and Agri-products segments result in the fourth quarter traditionally being the strongest quarter for the company.

2. FINANCIAL REORGANIZATION

a) Basis of Presentation

The company was subject to a financial reorganization with an effective date of January 31, 2003. The company has accounted for the financial reorganization by using the principles of comprehensive revaluation (fresh start accounting) as required under Canadian generally accepted accounting principles (GAAP). Fresh start accounting necessitated the revaluation of all assets and liabilities of the company at estimated fair values and the elimination of the company's deficit.

At January 31, 2003 the book value of substantially all current assets and current liabilities approximated fair value. The following assets and liabilities required restatement to fair values.

i. Property, plant and equipment – at the fair value supported by future anticipated cash flows
ii. Goodwill and pre-operating costs – at nil in accordance with GAAP
iii. Pension and other employee future benefit plans – at values determined by an independent actuary
iv. Senior Subordinated Notes – at current trading value
v. Debt component of Convertible Subordinated Notes – at the present value of estimated interest payments associated with 2006 to 2008 fiscal years
vi. Future income taxes – at amounts more likely than not to be realized over periods not exceeding five years
vii. Unamortized portion of the costs associated with current and prior lending arrangements reflected as long-term assets – at nil
viii. Unamortized portion of the costs associated with prior lending arrangements reflected as prepaid expenses – at nil
ix. Costs of restructuring – written off through the fresh start adjustment
x. Agri-products equipment inventory – at selling prices less disposal costs

An equity value of $178.6 million was calculated in order to establish the January 31, 2003 fresh start consolidated balance sheet. The equity value reflected management's estimate, which was based on the trading value of the company's Class B shares combined with an estimate of the fair value of the non-debt component of the company's Convertible Subordinated Notes. As a result of the reorganization and the application of fresh start accounting, the share capital of the company was reduced by $435.4 million, including $88.9 million related to the elimination of the company's deficit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – in thousands of Canadian dollars, except as noted

b) Comparability of Periods

The comparative financial statements for the six month period ended January 31, 2003 have been presented pursuant to regulatory requirements. The comparative financial statements for the six months ended January 31, 2003 do not reflect the effects of the financial reorganization or the application of fresh start accounting and as a result are not comparable.

3. ACCOUNTING POLICIES

a) Principles of Consolidation

These consolidated financial statements include the operations of the company, its controlled subsidiaries and its proportionate share of the assets, liabilities, revenues and expenses of joint ventures, which are jointly controlled. All significant inter-company balances and transactions, including profits in inventories, have been eliminated. The company's principal subsidiaries/affiliates are as follows:

Subsidiary/Affiliate Name	Ownership %	Accounting Method
Can-Oat Milling	100%	Consolidation
Prairie Malt Limited	42.4%	Proportionate Consolidation
Western Co-operative Fertilizers Limited	43%	Proportionate Consolidation

b) Revenue Recognition

Revenues from grain handling are recognized upon shipment of grain commodities to the customer from the elevator or port terminal. Transactions in which the company acts as agent for the Canadian Wheat Board (CWB) are recorded on a net basis upon performance of service, with only the amount of the CWB tariff included in revenue. Service revenues from grain marketing are recognized when the services are performed. Revenues from agri-products include product sales revenue, which are recognized when the customer receives the products, and service revenue such as equipment rentals and custom application of product, which are recognized when the service is performed. Revenue from agri-food processing associated with the sale of value-added food processing products is recognized upon shipment to the customer. Other agri-food processing revenues are recognized when services are performed.

c) Cash and Cash Equivalents

Cash and cash equivalents include cash, short-term investments and bank indebtedness. Bank indebtedness consists primarily of current outstanding cash tickets and cheques. All components are liquid, with maturity of less than three months. Funds on deposit within joint ventures may not be immediately available to the company.

d) Inventories

Grain inventories in the Grain Handling and Marketing segment include both hedgable and non-hedgable commodities. Hedgable grain inventories are valued on the basis of closing market quotations less freight and handling costs and also reflect gains and losses on open grain purchase and sale contracts. Non-hedgable grain inventories are valued at the lower of cost and net realizable value. Agri-products and other inventories, which consist of raw materials, work in progress and finished goods, are valued at the lower of cost and net realizable value.

e) Investments

The company accounts for its investments in affiliated companies over which it has significant influence using the equity basis of accounting, whereby the investments are initially recorded at cost, and subsequently adjusted to recognize the company's share of earnings or losses of the investee companies and reduced by dividends received. Short-term investments are recorded at the lower of cost and market. Other investments are recorded at cost.

f) Property, Plant and Equipment and Amortization

Additions to property, plant and equipment are recorded at cost, which includes interest costs incurred on construction of major new facilities prior to the facilities becoming available for operation, less amortization. Upon applying fresh start accounting effective January 31, 2003, property, plant and equipment was valued at the estimated fair value of \$314.4 million. The company reviews the carrying value of its property, plant and equipment whenever there is a

change in circumstance that suggests the carrying value may not be recoverable – any resulting write-downs are charged to earnings. Amortization is provided for property, plant and equipment over their estimated useful lives using primarily the straight-line method. The rates used are as follows:

Sites, trackage and paving	0 – 13%
Buildings	3 – 20%
Machinery and equipment	5 – 50%
Vehicles	10 – 30%

g) Corporate Income Taxes

The company follows the liability method of tax allocation in accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period which includes the substantively enacted date. A valuation allowance is provided to the extent that it is more likely than not that the future income tax assets will not be realized.

h) Deferred Revenue

The majority of deferred revenue relates to payments from producers pursuant to grain storage license agreements. The deferred revenue is amortized into revenue over 40 years to match the approximate life of the related grain storage asset.

i) Post Employment Benefits

The cost of defined benefit pension plans and retirement allowance benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, terminations and retirement ages of plan members. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The cost of pension benefits for defined contribution plans is charged to operations as contributions become due.

j) Financial and Other Instruments

i) Foreign Exchange Contracts

The company enters into forward foreign exchange and futures contracts to offset and manage exposure to foreign currency exchange risk resulting from transactions denominated in foreign currencies. In certain areas of the company not related to the handling and marketing of grain, the company commenced application of the Canadian Institute of Chartered Accountants (CICA) Accounting Guideline 13. Hedge accounting is the same period recognition, in income, of the gains, losses, revenues and expenses associated with a hedged item and the hedging instrument. In the remaining areas of the company, unrealized gains and losses on forward foreign exchange and futures contracts are marked-to-market and recognized in income in the period in which they occur.

ii) Commodity Futures Contract Transactions

The company is involved in the purchase, sale and processing of raw agricultural commodities. Agricultural commodities are subject to price fluctuations due to numerous unpredictable factors that may create price risk. The company enters into derivative contracts, primarily exchange-traded futures and options, with the objective of managing exposure to adverse price movements in agricultural commodities. The unrealized gains and losses for commodity futures contracts are recognized in income in the period in which they occur.

k) Foreign Currency Transactions

Monetary assets and liabilities are translated into Canadian dollars at the rate in effect at the balance sheet date; non-monetary items are translated at the rate in effect on the transaction date. Exchange gains or losses arising from translations are recognized in income in the period in which they occur.

l) Accretion

At the time of the January 31, 2003 restructuring the company recorded both the Senior Subordinated Notes and the Convertible Subordinated Notes at their estimated fair value. These estimated fair values represented a substantial discount to the face values of these notes. The company is gradually increasing the balance sheet carrying value of these instruments to their face values through monthly present value adjustments. This process is referred to as "accretion".

The accretion of the Senior Subordinated Notes and the debt component of the Convertible Subordinated Notes are recorded as a non-cash charge to interest expense, whereas the accretion of the equity component of the Convertible Subordinated Notes is recorded as a non-cash charge to retained earnings.

m) Stock-Based Compensation Plan

Stock-based payments to non-employees and direct awards of stock to employees are recorded under the fair value based method of accounting. The company records an expense over the vesting period of options granted based on the fair value method as determined by the Black-Scholes pricing model, and records the offsetting amounts as a credit to contributed surplus.

n) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the company may undertake in the future. Management believes that the estimates are reasonable, however actual results could differ from these estimates.

o) Changes in Accounting Policies

i) Hedging Relationships – Effective August 1, 2003, in certain areas of the organization not related to the handling and marketing of grain, the company commenced application of the Canadian Institute of Chartered Accountants (CICA) Accounting Guideline 13. The guideline deals with identification, designation, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting. Hedge accounting is the same period recognition, in income, of the gains, losses, revenues and expenses associated with a hedged item and the hedging instrument. Hedge accounting may be applied when all of the following criteria are met at inception of the hedge:

- The entity identifies the risk exposure being hedged and designates that hedge accounting will be applied to the hedging relationship.
- The entity has prepared documentation of its risk management objective and strategy for the hedging relationship, the hedging item, the term of the hedge and the method for assessing the effectiveness of the hedge. There also needs to be a method for recognizing in income the gains and losses associated with the hedged items.
- The entity has reasonable assurance that the hedge will be effective. The effectiveness of the hedge should be measurable and assessed regularly.

The effect of applying hedge accounting to the fiscal 2004 annual financial statements is negligible.

For hedgable grain inventories, the company continues to follow the principles outlined in Note 3d.

ii) For the 2003 fiscal year, the company retroactively adopted the new CICA standard regarding revenue recognition (Emerging Issues Committee Abstract 123). This standard applies to the company's and the industry's handling of certain grains on behalf of the Canadian Wheat Board (CWB). Under this new accounting policy, the company records only the tariff revenue related to handling CWB grains. The company purchases grain from

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – in thousands of Canadian dollars, except as noted

producers on behalf of the CWB and records the related amounts as accounts receivable due from the CWB. The impact of adopting this standard is as follows:

- No impact on net loss or retained earnings (deficit).
- Reduces sales and other operating revenues for the six months ended July 31, 2003 by $249.9 million (six months ended January 31, 2003 – $239.0 million).
- Reduces costs of sales and operating expenses for the six months ended July 31, 2003 by $249.9 million (six months ended January 31, 2003 – $239.0 million).
- Increases accounts receivable and correspondingly decreases inventories at July 31, 2003 by $112.5 million (January 31, 2003 – $101.3 million).

4. DISCONTINUED OPERATIONS

In the year ended July 31, 2004, the company exited its Heartland Pork, Heartland Feeds and Aquaculture operations and will not have any continuing involvement in these operations. The results of these operations for the current and prior years have been reclassified as discontinued operations, in accordance with CICA 3475 "Disposal of Long-Lived Assets and Discontinued Operations."

On May 21, 2004, Heartland Pork and Heartland Feeds were sold. On July 26, 2004 the Aquaculture operation was sold. The cash proceeds from the divestitures were $22.1 million. The senior secured bank term loan was reduced by $10.3 million. The balance of the proceeds was used to reduce short-term borrowings. Subsequent to July 31, 2004, the company repaid an additional $1.5 million of term debt upon final settlement.

All of the discontinued operations are located in Saskatchewan and consist of seven pork barns, one feedmill operation and one aquaculture operation. Together, the operations made up substantially all of the "Other segment" for financial reporting purposes. The company decided to exit these business lines because of disappointing operating results and industry risks. The pork industry in particular has been under significant pressure for some time, primarily the result of the prolonged cyclical downturn, the strengthening Canadian dollar and increased domestic consumption of beef in response to Bovine Spongiform Encephalopathy (BSE).

The breakdown of discontinued operations presented in the consolidated statements of earnings and retained earnings (deficit) is as follows:

	Year Ended July 31 2004	Six Months Ended July 31 2003	Six Months Ended January 31 2003
Loss before corporate taxes	$ (18,966)	$ (6,758)	$ (7,214)
Corporate taxes recovery (expense)			
Current	(53)	(30)	(227)
Future	6,098	–	3,582
Total corporate taxes recovery (expense)	6,045	(30)	3,355
Net loss from discontinued operations *	$ (12,921)	$ (6,788)	$ (3,859)
* Net loss from discontinued operations includes:			
Sales and service revenues	$ 41,930	$ 44,987	$ 29,859
Loss on divestiture	$ (8,964)	$ –	$ –

5. PROVISION RECOVERIES

The provision recoveries consist of the following:

a) On June 15, 2004 the company divested of its 50% ownership in Comercializadora La Junta, S.A. de C.V. ("CLJ"), a port terminal in Manzanillo, Colima, Mexico. As a result of the sale, the company is no longer responsible for certain provisions that were recognized in 2002 when the company wrote-off its investment in this operation (see Note 17c). As a result of this sale, the company recorded $5.2 million as a one-time recovery and $2.4 million as operating income in the fourth quarter of fiscal 2004. There were no significant cash proceeds resulting from the sale of this operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – in thousands of Canadian dollars, except as noted

b) During the year, the company recorded a $1.0 million recovery of a previous demolition provision which in management's opinion is no longer required.

6. ACCOUNTS RECEIVABLE

	2004	2003
Trade accounts, net	$ 74,449	$ 72,710
The Canadian Wheat Board	71,266	137,624
Other accounts	18,519	11,803
	$164,234	$222,137

7. INVENTORIES

	2004	2003
Grain	$ 31,997	$ 37,461
Agri-products	59,440	51,231
Agri-food processing	13,450	14,410
Other – discontinued operations	–	12,870
	$104,887	$115,972

8. INVESTMENTS

	2004	2003
Investments in significantly influenced companies – equity method	$ 2,157	$ 2,229
Other long-term investments – cost method	2,894	2,791
	$ 5,051	$ 5,020

9. PROPERTY, PLANT AND EQUIPMENT

	2004	2004 Accumulated Amortization	2003	2003 Accumulated Amortization
Sites, trackage and paving	$ 8,786	$ 487	$ 9,628	$ 151
Buildings	113,314	6,661	122,116	2,088
Machinery and equipment	167,515	28,448	170,003	10,099
Vehicles	120	48	224	32
Construction in progress	12,751	–	2,002	–
	302,486	$ 35,644	303,973	$ 12,370
Accumulated amortization	(35,644)		(12,370)	
Net book value	$266,842		$291,603	

Amortization of property, plant and equipment related to continuing operations for the year ended July 31, 2004 is $24.5 million (six months ended July 31, 2003 – $11.5 million, six months ended January 31, 2003 – $21.4 million).

10. OTHER LONG-TERM ASSETS

	2004	2003
Deferred pension assets	$ 5,331	$ 6,156
Livestock	–	3,791
Other	2,888	3,566
	8,219	13,513
Accumulated amortization	–	(368)
Net book value	$ 8,219	$ 13,145

11. BANK INDEBTEDNESS

	2004	2003
Saskatchewan Wheat Pool bank indebtedness	$ 27,560	$ 23,471
Subsidiaries' and proportionate share of joint ventures' bank indebtedness	2,245	4,721
	$ 29,805	$ 28,192

12. SHORT-TERM BORROWINGS

	2004	2003
Saskatchewan Wheat Pool bank short-term borrowings	$ –	$ 92,920
Subsidiaries' and proportionate share of joint ventures' short-term borrowings	1,501	–
	$ 1,501	$ 92,920

The company has a $240 million asset backed revolving credit facility with its bankers, secured by accounts receivable, to the extent of drawings on the securitization program, and a first charge on the company's assets. The facility matures July 31, 2005. Interest is payable monthly at prime plus 3%.

At July 31, 2004, the company had outstanding letters of credit and similar instruments of $30.6 million related to operating an agri-business (2003 – $25.0 million). These instruments effectively reduce the amount of cash that can be drawn on the revolving credit facility.

At July 31, 2004, availability under the revolving credit facility was $68.0 million (2003 – $42.5 million).

Subsidiaries' and proportionate share of joint ventures' short-term borrowings consist of bank operating loans, which are secured by inventories, accounts receivable and property, plant and equipment. The company does not guarantee, nor does it have responsibility for the repayment of the subsidiaries' or joint ventures' loans.

13. MEMBERS' DEMAND LOANS

Members' demand loans are funds loaned to the company by Class A shareholders and employees. At July 31, 2004, the loans bear interest at 5.25% (2003 – 6.0%).

The loans are secured by a second ranking charge against the company's assets which are subordinate to the revolving credit facility and the senior secured bank term loan and ranking equally with the Senior Subordinated Notes and the members' term loans.

14. MEMBERS' CLASS A SHARES

Authorized

Unlimited Class A voting shares par value $25.

Class A voting shares are held by farmer-members and are redeemable at the option of the shareholder at their par value. These shares are reflected as a current liability due to the redeemable nature.

Class A Shares	**Issued and Outstanding**	
	# Shares*	**$ Amount**
Balance at January 31, 2003	71,864	$ 1,797
Redemptions – net	(206)	(6)
Balance at July 31, 2003	71,658	1,791
Redemptions – net	(332)	(8)
Balance at July 31, 2004	71,326	$ 1,783

* Number of shares are not shown in thousands.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – in thousands of Canadian dollars, except as noted

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2004	2003
Trade accounts payable	$ 49,243	$ 62,925
Trade deferred cash tickets	41,318	30,419
Accrued liabilities	46,966	44,338
Other accounts payable	13,218	25,495
	$ 150,745	$ 163,177

At July 31, 2004, certain trade payables and related inventory with agri-product suppliers were subject to a purchase money security interest in the aggregate of $4.8 million (2003 – $1.0 million).

16. LONG-TERM DEBT

	2004 Weighted Average Interest Rate*	2004 Carrying Value	2003 Weighted Average Interest Rate*	2003 Carrying Value
Senior secured bank term loan (a)	8.00%	$ 80,251	8.00%	$ 90,600
Senior Subordinated Notes (b)	8.00%	132,188	8.00%	125,491
Convertible Subordinated Notes – debt component (c)	9.00%	27,735	9.00%	23,935
Members' term loans	7.40%	4,300	7.03%	4,676
Sub-total		244,474		244,702
Subsidiaries' and proportionate share of joint ventures' debt:				
Secured	4.78%	13,743	6.11%	26,140
Unsecured – interest free		1,606		2,722
Sub-total		15,349		28,862
Consolidated long-term debt		259,823		273,564
Portion due within one year		(7,893)		(7,810)
		$251,930		$265,754

* Weighted average interest rates are based on the face value of the debt instrument.

a) Senior Secured Bank Term Loan

- Interest is payable monthly at 8% until the commencement of blended monthly principal and interest payments of approximately $1.5 million, which begin October 1, 2005.
- Balloon principal payment due July 31, 2008.
- Secured by a first ranking charge on the company's assets.
- During the year ended July 31, 2004, in accordance with the credit agreement with the company's bankers, the company repaid $10.3 million, representing the net proceeds received from the sale of certain businesses or business assets (see Note 4) (six months ended July 31, 2003 – $9.4 million).
- The fair market value approximates the carrying value at July 31, 2004.

b) Senior Subordinated Notes

- At the time of the January 31, 2003 restructuring, the Senior Subordinated Notes were recorded at estimated fair value. The company is accreting up to their $150.0 million face value through monthly present value adjustments (accretion) to the Senior Subordinated Notes with a corresponding charge to increase interest expense.
- Interest is payable monthly into a trust and distributed quarterly. Prior to July 31, 2005, interest is at 8% of the face value, thereafter interest is at 12%. The face value at July 31, 2004 is $150.0 million (2003 – $150.0 million).

- No principal payments are required until maturity on November 29, 2008.
- The company may redeem the Notes prior to maturity at a premium ranging from 106% of the principal at any time prior to January 1, 2005 to 101% after December 31, 2006.
- Secured by a second ranking charge against the company's assets – subordinate to the revolving credit facility and the senior secured bank term loan and ranking equally with the members' demand loans and members' term loans.
- The fair market value of Senior Subordinated Notes at July 31, 2004 was approximately $151.5 million based upon the quoted market price (2003 – $124.5 million).

c] **Convertible Subordinated Notes**

- At the time of the January 31, 2003 restructuring the company separated the Convertible Subordinated Notes into their debt and equity components, according to their substance. The debt component was estimated at the present value of the cash interest expected to be paid in accordance with the threshold test mentioned below. The company is accreting up to that initial estimate through monthly present value adjustments (accretion) to the Convertible Subordinated Notes with a corresponding charge to increase interest expense. The equity component is being accreted such that the value as of November 29, 2008 (the day before the company's conversion right) will reflect the face value and accrued interest not paid in cash of the remaining, unconverted, Convertible Subordinated Notes. This accretion is recorded as a reduction of retained earnings (deficit).
- Interest accrues at 9%. No payment of interest is required prior to July 31, 2005. Interest may become payable after the end of each of the fiscal years 2006 to 2008, provided that certain cumulative consolidated EBITDA less consolidated cash interest and securitization threshold tests are met. Any interest not paid will continue to accrue. Annual interest payments are limited to a maximum of the interest accruing on the Notes during each of the fiscal years 2006 to 2008.
- The company believes that two events have occurred such that the threshold tests will not be met, thereby negating the payment of cash interest in 2006, 2007 and 2008. First, the Grain Handling and Marketing segment had reduced EBITDA in the current year, resulting from the drought associated with the 2003 crop. Second, the company has divested of Heartland Pork and Heartland Feeds in May 2004. Both items adversely impact the test. However, in accordance with CICA Emerging Issues Committee Abstract 70, the company will maintain its original debt/equity classification of the Convertible Subordinated Notes and will continue to accrete interest to debt and interest expense using its original estimates until the threshold test dates have passed and the actual interest based on the tests is formally determined.
- Secured by a third ranking charge against the company's assets.
- Convertible by the holder into Class B non-voting shares of the company at the rate of approximately 2,227.2 shares per $1,000 of Note principal at any time prior to November 30, 2008 (subject to adjustment in certain events, such as a share consolidation or share split).
- On November 30, 2008, the company has the right to convert, subject to certain conditions, the Convertible Subordinated Notes (including accrued interest) into shares of a single class of voting common shares of the company that represent 90% of the outstanding shares of such class on a fully diluted basis, provided that any conversions by holders of such Notes into Class B non-voting shares prior to maturity proportionately reduce this ratio. Under this provision the Convertible Subordinated Notes that remain outstanding at July 31, 2004 would receive approximately 63% of these newly created shares on a fully diluted basis.
- During the year ended July 31, 2004, $27.0 million face value of 9% Notes (since inception – $77.2 million) were converted at the holder's option into 60.1 million Class B non-voting shares (since inception – 171.9 million), leaving $177.8 million of face value outstanding.
- The fair market value of Convertible Subordinated Notes at July 31, 2004 was approximately $176.1 million based upon the quoted market price (2003 – $159.8 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – in thousands of Canadian dollars, except as noted

d) Other

- The sale of certain collateral for proceeds in excess of $10 million would necessitate a partial redemption of, first, the Senior Subordinated Notes until redeemed in full and, second, the proceeds would be applied to the Convertible Subordinated Notes.
- Members' term loans are secured and consist of one-year to seven-year loans with Class A shareholders and employees. Interest is payable semi-annually at interest rates which vary from 5.2% to 9.0%. The fair market value of members' term loans at July 31, 2004 was approximately $4.4 million (2003 – $4.7 million).
- The subsidiaries' and the proportionate share of joint ventures' debts bear interest at fixed and variable rates. The debts mature in years 2005 to 2007. The debts are secured by certain assets and some are subject to meeting certain covenants. The fair market value at July 31, 2004 of subsidiaries' and the proportionate share of joint ventures' debts was approximately $15.2 million (2003 – $28.4 million).
- The company does not guarantee nor does it have responsibility for the repayment of the subsidiaries' or joint ventures' debts.
- The maturities of subsidiaries' and the proportionate share of joint ventures' long-term debt are as follows:

2005	$ 5,713
2006	4,729
2007	4,907
2008	–
2009	–
Subsequent years	–
	$ 15,349

17. OTHER LONG-TERM LIABILITIES

	2004	2003
Provision for reclamation costs (a)	$ 12,645	$ 13,928
Deferred revenue	10,365	13,469
Retirement allowances	5,398	5,049
Loan loss provision (b)	4,952	1,996
Pension	3,732	3,777
Environmental	229	1,850
Restructuring provision (c)	–	5,222
Other	3,659	3,353
	$ 40,980	$ 48,644

(a) In 1987 a joint venture which manufactured phosphate and nitrate fertilizers closed two of its facilities. The provision for reclamation costs represents the company's proportionate share of the best estimate by management of the joint venture of the costs that it would incur during the reclamation process. Reclamation involves the demolition of the manufacturing facilities and the reclamation of the phosphogypsum stacks. Uncertainty exists regarding the estimation of future decommissioning and reclamation costs.

(b) Under the terms of an agreement, a financial institution provides credit for the purchase of crop inputs to customers of the company. Loans under the program are secured by a general security agreement granted by the customer covering the crop and farm assets.

The company collects loan payments from producer customers in trust for this financial institution and forwards collections the next business day.

Under the agreement, the company has agreed to reimburse this financial institution for loan losses in excess of a reserve. At July 31, 2004, $162.6 million (2003 – $135.0 million) was outstanding under the program. The loan loss provision of $5.0 million (2003 – $2.0 million) represents expected losses that will be reimbursed to the financial institution in December 2005. The company expects that loan losses in excess of those provided for in these financial

statements will not be significant. When payments for delinquent accounts are made to the financial institution with respect to this program, the delinquent account is assigned to the company and the company is then to collect the amounts payable by the customer. Subsequent collections of these delinquent accounts are allocated to the company and the financial institution in accordance with each parties' pro-rated share of the collection proceeds.

(c) During 2004, the company's interest in Comercializadora La Junta, S.A. de C.V. was sold (see Note 5a). The estimated future costs associated with the fiscal 2002 provision for the company's investment in Comercializadora La Junta, S.A. de C.V. were eliminated with the sale.

18. SHARE CAPITAL

Authorized

Unlimited Class B non-voting shares

Class B non-voting shares are traded on the Toronto Stock Exchange. Under the terms of its bank financing agreement, the company is prohibited from paying dividends on Class B shares. In accordance with the Act of Incorporation of the company, a person, including any persons associated or affiliated with that person, may not own more than 10% of the total number of issued Class B shares.

Class B Shares	**Issued and Outstanding**	
	# Shares*	$ Amount
Balance at January 31, 2003	60,363,256	$ 22,335
Convertible Subordinated Notes converted to Class B shares in the six months ended July 31, 2003	111,743,788	37,082
Balance at July 31, 2003	172,107,044	59,417
Convertible Subordinated Notes converted to Class B shares in the year ended July 31, 2004	60,111,705	21,870
Balance at July 31, 2004	232,218,749	$ 81,287

* Number of shares are not shown in thousands.

a) Stock Options

i) Management Stock Option Plan

During the year this plan became inactive. Options previously granted under the Management Stock Option Plan were approved by the Board of Directors. To date, 3,730,500 shares have been allocated to the plan. Under this plan options are exercisable in increments over a maximum of 10 years beginning on the first anniversary date of the option grant. Options granted under this plan primarily vest at a rate of 25% per year commencing on the first anniversary date of the grant.

ii) New Members' Stock Option Plan

On July 31, 2000, this plan was closed to new applicants. Options previously issued will continue until exercised or expired.

The fair value of options issued in the year was determined by the Black-Scholes option pricing model with the following assumptions: risk free rate 4.40%, dividend yield 0%, a volatility factor of the expected market price of the company's shares of 100, and a weighted-average expected option life of five years. There were 330,537 options issued in the year with a weighted-average exercise price (equal to market price at the date of issue) of $0.30. For the year ended July 31, 2004, $0.1 million was expensed as stock based compensation (six months ended July 31, 2003 – $0.1 million, six months ended January 31, 2003 – $0.1 million).

A continuity of the stock options is as follows:

	2004		2003	
	# Options*	Weighted Average Exercise Price*	# Options*	Weighted Average Exercise Price*
Outstanding, beginning of period	2,411,293	$ 4.71	2,731,398	$ 5.15
Granted	330,537	$ 0.30	–	$ –
Exercised	–	$ –	–	$ –
Cancelled	(478,370)	$ 9.35	(320,105)	$ 8.44
Outstanding, end of period	2,263,460	$ 4.28	2,411,293	$ 4.71
Options exercisable, end of period	1,487,883	$ 5.53	1,222,328	$ 6.09

Of the outstanding stock options at July 31, 2004, 14% have an exercise price of less than $1. All the options exercisable at July 31, 2004, have an exercise price of greater than $1. At July 31, 2004, the shares were traded at $0.445.

* The exercise prices and number of options referred to above are not in thousands.

b) Earnings (Loss) Per Share

	Year Ended July 31 2004	Six Months Ended July 31 2003	Six Months Ended January 31 2003
Net income (loss)	$ 5,019	$ (15,909)	$ (34,436)
Less: Net income (loss) from continuing operations	17,940	(9,121)	(30,577)
Loss from discontinued operations (numerator – discontinued operations)	$ (12,921)	$ (6,788)	$ (3,859)
Net income (loss) from continuing operations	$ 17,940	$ (9,121)	$ (30,577)
Accretion of equity component of Convertible Subordinated Notes	(19,842)	(11,479)	–
Numerator – continuing operations	$ (1,902)	$ (20,600)	$ (30,577)
Net income (loss)	$ 5,019	$ (15,909)	$ (34,436)
Accretion of equity component of Convertible Subordinated Notes	(19,842)	(11,479)	–
Numerator – net loss	$ (14,823)	$ (27,388)	$ (34,436)
Denominator for basic and diluted per share amounts:			
Weighted average number of shares outstanding	206,653	99,947	37,425
Basic and diluted loss per share:			
Continuing operations	$ (0.01)	$ (0.20)	$ (0.82)
Discontinued operations	$ (0.06)	$ (0.07)	$ (0.10)
Net loss	$ (0.07)	$ (0.27)	$ (0.92)

In calculating the weighted average number of shares outstanding, the 22.9 million shares issued as part of the restructuring were assumed to be issued as of January 31, 2003.

The potentially dilutive effect of the conversion of the Convertible Subordinated Notes and the exercise of options related to the New Members' and Management Stock Option Plans were not included in the calculation of diluted earnings (loss) per share as the result would be anti-dilutive.

19. CONVERTIBLE SUBORDINATED NOTES – EQUITY COMPONENT

The company issued $255 million of Convertible Subordinated Notes as part of the January 31, 2003 financial restructuring. As outlined in Note 16c, these Convertible Subordinated Notes are classified on the balance sheet into their debt and equity components. The table below provides a continuity of the equity component.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – in thousands of Canadian dollars, except as noted

Balance at January 31, 2003	$ 156,266
Accretion to retained earnings (see Note 18b)	11,479
Conversions in the six months ended July 31, 2003 with a face value of $50.2 million	(37,082)
Balance at July 31, 2003	130,663
Accretion to retained earnings (see Note 18b)	19,842
Conversions in the year ended July 31, 2004 with a face value of $27.0 million (see Note 16c)	(21,870)
Balance at July 31, 2004	$ 128,635

20. POST EMPLOYMENT BENEFITS

a) Defined Benefit Plans

The company has three defined benefit final-pay plans: Hourly Employees' Retirement Plan (Hourly), Out of Scope Defined Benefit Pension Plan (OSDB), and Supplementary Executive Retirement Plan (SERP). The members and employer make contributions to the Hourly and OSDB plans. The company is on a contribution holiday for the Hourly and OSDB plans due to income tax regulations relating to surpluses in these pension plans. These plans have bridged benefits that allow for early retirement. The plan assets of these two plans at July 31, 2004 are invested in the following asset classes: Canadian equities – 35%; Global equities – 25%; bonds – 34%; other – 6%. The SERP is unfunded and the employer makes contributions as the retirement benefits are paid.

The consolidated information presented in the table below is based on actuarial valuation results as of January 31, 2003 with extrapolations for July 31, 2004 and July 31, 2003. The projected accrued benefit actuarial cost method pro-rated on service is used for this valuation. The assets are valued at market value on July 31, 2004, July 31, 2003 and January 31, 2003.

	Pension Benefit Plans		Retirement Allowances	
	2004	2003*	2004	2003*
Plan Assets				
Fair value, beginning of period	$ 234,494	$ 228,547	$ –	$ –
Actual return on plan assets	27,931	13,880	–	–
Employer contributions	258	44	213	76
Employees' contributions	275	172	–	–
Benefits paid	(17,258)	(8,149)	(213)	(76)
Fair value, end of period	245,700	234,494	–	–
Accrued Benefit Obligation				
Balance, beginning of period	186,702	187,914	5,049	4,875
Current service cost	1,546	873	211	98
Interest cost	11,665	6,064	351	152
Benefits paid	(17,258)	(8,149)	(213)	(76)
Actuarial loss (gain)	6,729	–	(464)	–
Balance, end of period	189,384	186,702	4,934	5,049
Funded status – plan surplus (deficit)	56,316	47,792	(4,934)	(5,049)
Unamortized net actuarial gain	(11,358)	(5,995)	(464)	–
Accrued benefit asset (liability)	44,958	41,797	(5,398)	(5,049)
Valuation allowance	(43,169)	(39,127)	–	–
Accrued benefit asset (liability), net of valuation allowance	1,789	2,670	(5,398)	(5,049)
Add: accrued benefit liability of proportionately consolidated companies	(190)	(291)	–	–
Consolidated accrued benefit asset (liability), net of valuation allowance	$ 1,599	$ 2,379	$ (5,398)	$ (5,049)

* For 2003, the period is February 1, 2003 to July 31, 2003.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – in thousands of Canadian dollars, except as noted

The consolidated accrued benefit asset (liability), net of valuation allowance is reflected in these statements as follows:

	Pension Benefit Plans		Retirement Allowances	
	2004	2003	2004	2003
Long-term assets	$ 5,331	$ 6,156	$ –	$ –
Long-term liabilities	(3,732)	(3,777)	(5,398)	(5,049)
Consolidated accrued benefit asset (liability), net of valuation allowance	$ 1,599	$ 2,379	$ (5,398)	$ (5,049)

The significant actuarial assumptions adopted in measuring the company's accrued benefit asset (liability) are as follows:

	Pension Benefit Plans		Retirement Allowances	
	2004	2003	2004	2003
Discount rate	6.00%	6.50%	6.00%	6.50%
Expected long-term rate of return on plan assets	7.00%	7.00%	–	–
Rate of compensation increase	3.70%	3.50%	4.00%	4.00%

The company's net benefit plan (income) expense is as follows:

	Pension Benefit Plans			Retirement Allowances		
	Year Ended July 31 2004	Six Months Ended July 31 2003	Six Months Ended January 31 2003	Year Ended July 31 2004	Six Months Ended July 31 2003	Six Months Ended January 31 2003
Current service cost	$ 1,271	$ 701	$ 799	$ 211	$ 98	$ 98
Interest cost	11,665	6,064	6,050	351	152	152
Expected return on plan assets	(15,839)	(7,885)	(8,415)	–	–	–
Valuation allowance provided against accrued benefit asset	4,042	1,719	2,216	–	–	–
	1,139	599	650	562	250	250
Net benefit expense of proportionately consolidated companies	264	135	96	–	–	–
Net benefit expense	$ 1,403	$ 734	$ 746	$ 562	$ 250	$ 250

b) Defined Contribution Plans

The company makes contributions to three defined contribution plans of which one is a multi-employer plan. In accordance with these plans, contributions from employees range from 2.19% to 5.0% of their earnings, while contributions from the company range from 2.19% to 6.0% of each plan member's earnings. The company's total contribution expense for the year ended July 31, 2004, including the proportionate share of joint ventures' defined contribution plans, is $3.2 million (six months ended July 31, 2003 – $1.4 million, six months ended January 31, 2003 – $1.5 million).

21. INTEREST EXPENSE

	Year Ended July 31 2004	Six Months Ended July 31 2003	Six Months Ended January 31 2003
Interest on long-term debt	$ 21,495	$ 11,036	$ 15,930
Other interest	7,093	6,742	4,827
Interest accretion	10,496	5,693	–
Amortization of bank refinancing costs	–	–	5,616
	$ 39,084	$ 23,471	$ 26,373

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – in thousands of Canadian dollars, except as noted

22. CORPORATE INCOME TAXES

a) The (provision for) recovery of corporate income taxes consists of:

	Year Ended July 31 2004	Six Months Ended July 31 2003	Six Months Ended January 31 2003
Current	$ 1,142	$ 1,083	$ (2,420)
Future	(13,093)	1,747	19,245
	$ (11,951)	$ 2,830	$ 16,825

b) The company's effective income tax rate is determined as follows:

	Year Ended July 31 2004	Six Months Ended July 31 2003	Six Months Ended January 31 2003
Basic federal and provincial tax rate	38.5%	40.3%	40.3%
Future income taxes not recognized	–	(11.5)	–
Federal and provincial capital taxes	3.5	(0.4)	(2.7)
Other	(2.0)	(4.7)	(2.1)
	40.0%	23.7%	35.5%

The "Other" category reflects the impact of the manufacturing and processing deduction, tax paid on equity earnings, non-taxable dividends, non-controlling interest, investment tax credits and miscellaneous adjustments.

c) Income taxes allocated to future years are comprised of the following:

	2004	2003
Future income tax assets:		
Undepreciated capital cost in excess of net book value	$ 112,922	$ 124,747
Non-capital loss carry-forwards	79,723	73,407
Restructuring and refinancing costs not deducted for tax	6,964	11,679
Senior Subordinated Notes	(6,590)	(9,068)
Convertible Subordinated Notes - debt component	2,627	6,798
Other	10,623	12,545
Sub-total	206,269	220,108
Valuation allowance*	(109,506)	(138,160)
Total future income tax assets	$ 96,763	$ 81,948

* The valuation allowance represents management's best estimate of the allowance necessary to reflect the future income tax assets at an amount that the company considers is likely to be realized over a period not to exceed five years. Included in the $96.8 million future income tax assets is an adjustment of $23.0 million made directly to retained earnings for a decrease in the future income tax assets' valuation allowance associated with the value the company expects to realize over the next five years.

Classified in the consolidated financial statements as:

	2004	2003
Current future income tax assets	$ 1,198	$ 1,624
Long-term future income tax assets	95,565	80,324
	$ 96,763	$ 81,948

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – in thousands of Canadian dollars, except as noted

	2004	2003
Future income tax liabilities:		
Net book value in excess of undepreciated capital cost	$ 10,306	$ 12,687
Reclamation costs not deductible for tax	(4,471)	(4,933)
Other	109	(201)
Total future income tax liabilities	$ 5,944	$ 7,553
Classified in the consolidated financial statements as:		
Current future income tax liabilities	$ –	$ –
Long-term future income tax liabilities	5,944	7,553
	$ 5,944	$ 7,553

d) At July 31, 2004, the company has net capital loss carry-forwards of $3.5 million (2003 – $3.8 million). These losses can be carried forward indefinitely and applied against taxable capital gains realized. The future tax benefits of these losses have not been recognized in these financial statements.

23. FINANCIAL AND OTHER INSTRUMENTS AND HEDGING

The company uses derivative financial and other instruments to manage its exposure to market risks relating to interest rates, commodity prices and foreign currency exchange rates. The company does not use derivative financial and other instruments for speculative trading purposes.

The company uses exchange-traded futures and options contracts to minimize the effects of changes in the prices of hedgable agricultural commodities on its agribusiness inventories and agricultural commodities forward cash purchase and sales contracts. Exchange-traded futures and options contracts are valued at the quoted market prices. Forward purchase contracts and forward sales contracts are valued at the quoted market prices, which are based on exchange quoted prices adjusted for freight and handling costs.

The company also uses derivative financial instruments, such as foreign currency forward contracts and futures contracts, to limit exposures to changes in foreign currency exchange rates with respect to its recorded foreign currency denominated assets and liabilities. These derivative instruments are marked-to-market, with changes in their fair value recognized as sales and other operating revenues in the consolidated statements of earnings and retained earnings.

The company assesses regularly the hedging transactions to ensure they are highly effective in offsetting changes in fair values or cash flows of hedged items.

The terms of the forward foreign exchange contracts listed below are for up to three years and include the company's proportionate share in joint ventures:

Sells

	2004	2003
Notional U.S. dollars	$ 164,559	$ 92,292
Canadian equivalent	$ 227,140	$ 136,641
Fair value	$ 219,320	$ 129,521
Unrealized gain	$ 7,820	$ 7,120
Average foreign exchange rate	$ 1.3803	$ 1.4805

Of the $7.8 million unrealized gain at July 31, 2004, approximately $1.3 million is recognized in these financial statements (July 31, 2003 – $0.7 million). The remainder will be recognized on a basis consistent with the recognition of the underlying hedged transaction.

a) Credit Risk

The company is exposed to credit risk from customers in all the business segments. In the Grain Handling and Marketing segment, a significant amount is receivable from the CWB (see Note 6). The customer base in all other segments is diverse, which minimizes significant concentration of credit risk. Credit risk is limited due to the large number of customers in differing industries and geographic areas.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – in thousands of Canadian dollars, except as noted

The company is exposed to credit loss in the event of non-performance by counterparties to the derivative financial instruments but does not anticipate non-performance by these counterparties. All counterparties are highly rated financial institutions.

b) Fair Value

The carrying value of long-term debt (see Note 16) that bears interest at variable rates approximates fair value. The fair value of long-term debt that bears interest at fixed rates is based on its quoted market price or on discounted future cash flows using rates currently available for debt of similar terms and maturities if the quoted market price was not available.

The carrying value of other financial instruments, cash, cash in trust, accounts receivable, bank indebtedness, short-term borrowings, members' demand loans, members' shares, accounts payable and accrued liabilities approximate fair value due to the short period to maturity or redeemable nature.

The fair value of derivative financial instruments consisting of foreign exchange contracts reflects the estimated amounts that the company, its subsidiaries and its proportionate share of the joint ventures would receive or pay to settle the contracts at the reporting date. However, this does not represent the total gain or loss to the company, its subsidiaries or its proportionate share of the joint ventures as the hedged position is matched to certain of the related assets or liabilities.

c) Foreign Exchange Gains and Losses

Foreign exchange gains of $1.7 million were included in sales for the year ended July 31, 2004 (six months ended July 31, 2003 – $0.9 million, six months ended January 31, 2003 – $0.3 million).

24. INTERESTS IN JOINT VENTURES

The following summarizes the company's proportionate interest in joint ventures before inter-company revenue and expense eliminations:

	2004	2003
Current assets	$ 71,629	$ 91,832
Long-term assets	$ 53,279	$ 61,575
Current liabilities	$ 29,579	$ 63,963
Long-term liabilities	$ 26,107	$ 29,715

	Year Ended July 31 2004	Six Months Ended July 31 2003	Six Months Ended January 31 2003
Revenue	$208,451	$116,341	$ 70,613
Expenses	$198,573	$100,373	$ 69,664
Net earnings	$ 9,878	$ 15,968	$ 949
Cash (used in) from operating activities	$ (6,859)	$ 26,512	$ 12,736
Cash used in financing activities	$ (9,070)	$ (9,438)	$ (4,767)
Cash (used in) from investing activities	$ (866)	$ (4,956)	$ 962

25. SEGMENTED INFORMATION

The company operated under three business segments during the year, the principal activities of which are as follows:

a) Grain Handling and Marketing

Activities consist of handling and marketing of grain, including the collection of grain through the company's primary elevator system, shipping to inland or port terminals, cleaning of grain to meet regulatory specifications, and sales to domestic or export markets.

b) Agri-products

Activities consist of sales of a variety of agri-products, including crop protection products, seed and seed treatments, fertilizer and farm equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – in thousands of Canadian dollars, except as noted

c) Agri-food Processing

Activities involve manufacturing and marketing of value-added products associated with oats and malt barley.

The accounting policies of the segments are the same as those described in the summary of accounting policies. The company accounts for inter-segment sales at current market prices as if the sales were to third parties.

The following information is from continuing operations.

	Year Ended July 31, 2004		
Sales	Total Sales	Inter-segment Sales	External Sales
Grain Handling and Marketing	$ 855,380	$ 17,904	$ 837,476
Less: Sales to discontinued operations	(6,116)	(6,116)	–
Grain Handling and Marketing – revised	849,264	11,788	837,476
Agri-products	459,942	–	459,942
Agri-food Processing	110,638	759	109,879
	$1,419,844	$ 12,547	$1,407,297

	Six Months Ended July 31, 2003			Six Months Ended January 31, 2003		
Sales	Total Sales	Inter-segment Sales	External Sales	Total Sales	Inter-segment Sales	External Sales
Grain Handling and Marketing	$ 283,737	$ 13,490	$ 270,247	$ 516,577	$ 16,919	$ 499,658
Less: Sales to discontinued operations	(3,717)	(3,717)	–	(5,531)	(5,531)	–
Grain Handling and Marketing – revised	280,020	9,773	270,247	511,046	11,388	499,658
Agri-products	319,347	–	319,347	123,198	–	123,198
Agri-food Processing	64,495	1,129	63,366	65,142	474	64,668
	$ 663,862	$ 10,902	$ 652,960	$ 699,386	$ 11,862	$ 687,524

	Year Ended July 31, 2004			
Segment Earnings	EBITDA*	Amortization	Provision Recoveries	EBIT**
Grain Handling and Marketing	$ 59,652	$ (9,902)	$ 1,000	$ 50,750
Agri-products	32,010	(9,576)	–	22,434
Agri-food Processing	14,275	(5,104)	–	9,171
Segment results	105,937	(24,582)	1,000	82,355
Corporate expenses	(18,596)	–	5,216	(13,380)
Per financial statements	$ 87,341	$ (24,582)	$ 6,216	$ 68,975

	Six Months Ended July 31, 2003			Six Months Ended January 31, 2003		
Segment Earnings	EBITDA*	Amortization	EBIT**	EBITDA*	Amortization	EBIT**
Grain Handling and Marketing	$ (6,393)	$ (4,605)	$ (10,998)	$ 7,169	$ (14,883)	$ (7,714)
Agri-products	29,423	(4,404)	25,019	(5,926)	(3,677)	(9,603)
Agri-food Processing	8,926	(2,492)	6,434	6,327	(2,542)	3,785
Segment results	31,956	(11,501)	20,455	7,570	(21,102)	(13,532)
Corporate expenses	(8,935)	–	(8,935)	(7,244)	(253)	(7,497)
Per financial statements	$ 23,021	$ (11,501)	$ 11,520	$ 326	$ (21,355)	$ (21,029)

* EBITDA – earnings before interest, taxes, depreciation and amortization, provision recoveries and loss from discontinued operations.

** EBIT – earnings before interest, taxes and loss from discontinued operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – in thousands of Canadian dollars, except as noted

Capital Expenditures	Year Ended July 31 2004	Six Months Ended July 31 2003	Six Months Ended January 31 2003
Grain Handling and Marketing	$ 10,302	$ 642	$ 822
Agri-products	4,710	649	565
Agri-food Processing	2,310	1,038	1,868
Per financial statements	$ 17,322	$ 2,329	$ 3,255

Assets	2004	2003
Grain Handling and Marketing	$ 312,739	$ 380,933
Agri-products	172,958	167,053
Agri-food Processing	85,796	91,810
Corporate	128,657	147,986
Per financial statements	$ 700,150	$ 787,782

Foreign Sales	Year Ended July 31 2004	Six Months Ended July 31 2003	Six Months Ended January 31 2003
Grain Handling and Marketing	$ 233,034	$ 77,112	$ 144,387
Agri-products	1,878	1,171	827
Agri-food Processing	95,651	54,516	54,317
	$ 330,563	$ 132,799	$ 199,531

26. COMMITMENTS, CONTINGENCIES AND GUARANTEES

a) The company, including its subsidiaries and its proportionate share of joint ventures, has operating leases relating primarily to railcars, buildings and equipment. Future minimum lease payments having initial or remaining lease terms in excess of one year at July 31, 2004 are as follows:

2005	$ 4,864
2006	$ 3,763
2007	$ 2,261
2008	$ 1,415
2009	$ 673

b) The company and its subsidiaries are involved in various claims and litigation arising in the ordinary course and conduct of their business. Although such matters cannot be predicted with certainty, management does not consider the company's exposure to such litigation to be material to these consolidated financial statements.

c) In the normal course of business, the company can, from time to time, commit to secure agri-products inventory from a related party, for delivery at a future date. At July 31, 2004, the dollar value of this commitment was $17.3 million (2003 – nil).

d) The company has an investment in Western Co-operative Fertilizers Limited (WCFL). WCFL holds a further interest in Canadian Fertilizers Limited (CFL). In late 2003, CFL received a notice of proposed adjustment from the Canada Revenue Agency (CRA) as a result of an audit of its 1997 to 2000 taxation years. The CRA has taken the position that deductions by CFL for certain management fees paid under contract to a shareholder of CFL should not be allowed.

The CRA has not yet formally reassessed CFL and discussions with the CRA are ongoing. CFL believes that the position of the CRA lacks merit and that the tax dispute will be resolved with no material impact on its shareholders.

However, if the issue cannot be resolved in favor of CFL, the company's proportionate share of maximum exposure is approximately $5.3 million.

e) Banking letters of credit and similar instruments – see Note 12.

f) Loan loss provision – see Note 17b.

27. COMPARATIVE AMOUNTS

Certain prior period amounts have been reclassified in order to conform to the financial statement presentation adopted in the current year.

SASKATCHEWAN WHEAT POOL'S STATEMENT OF CORPORATE GOVERNANCE PRACTICES

TSX GUIDELINES FOR EFFECTIVE CORPORATE GOVERNANCE		SASKATCHEWAN WHEAT POOL'S GOVERNANCE PRACTICES	Consistent with Guidelines
1.	The Board should explicitly assume responsibility for the stewardship of the corporation, and specifically for:	The Board adheres to a formal mandate, which sets out its responsibilities including the explicit assumption of responsibility for the stewardship of the corporation. In conjunction with a related statement of authorization developed by the Board, the mandate identifies the limits to the authority of management and the Board's expectations of management. In March 2003, the corporation completed a financial restructuring with its lenders and medium-term note holders. As part of this restructuring, four independent directors were elected to the Board of Directors and Board governance and committee structures were redesigned.	Yes
1.1	Adoption of a strategic planning process and approval of a strategic plan which takes into account, among other things, the opportunities and risks of the business;	The Board is responsible for the establishment and periodic evaluation of the corporation's strategic plan. The Strategic & Business Planning Committee of the Board is responsible for overseeing strategic planning, strategic initiatives and material transactions and for making recommendations to the Board on such planning, initiatives and transactions. The Board annually approves the strategic plan, the five-year capital budget and the annual operating budget.	Yes
1.2	Identification of principal risks and implementation of risk management systems;	The Board ensures that systems are in place to monitor and manage risks related to physical assets, exposure on commodity, interest rates and foreign currency transactions, and environmental and safety matters. A Risk Management Committee made up of senior management reports regularly to the Audit Committee of the Board. The Audit Committee is responsible for communicating with the Board to enable them to discharge their responsibility of identifying the Pool's principal risks and ensuring the implementation of appropriate systems to manage those risks. With the assistance of its Audit Committee, the Board also monitors the corporation's internal and external controls and financial reporting systems. The Audit Committee of the Board requires the external auditors, internal auditor and management to communicate to the Audit Committee any issues that significantly increase risk to the corporation.	Yes
1.3	Succession planning including appointing, training and monitoring senior management;	The Board is responsible, on the advice of its Compensation Committee, for the selection, direction, evaluation and compensation of the Chief Executive Officer (CEO). The Board defines the CEO's duties, responsibilities and authority, and monitors performance. The Compensation Committee has been tasked to review the CEO's recommendations on succession planning for corporate management and provide comments for Board consideration. The Board is tasked to ratify the appointment of senior managers hired by the CEO.	Yes
1.4	Communications policy;	The Board annually reviews and approves the corporation's Disclosure Policy that governs all corporate communications including interaction with analysts and the public. The Pool's Investor Relations and Communications Division works with management, particularly the CEO, the CFO and the Vice President and General Counsel, who acts as the Pool's Compliance Officer on securities and regulatory matters. Pursuant to the Pool's Disclosure Policy, the division is responsible for external and internal communications programs and for administering the continuous disclosure program for the corporation. A Disclosure Committee comprised of senior management reviews all material public filings with any release relating to financial matters being vetted by the Audit Committee. The corporation's Disclosure Committee monitors corporate developments to ensure timely dissemination of material information.	Yes
1.5	Integrity of internal controls and management information systems.	The Audit Committee of the Board meets quarterly with external auditors, the internal auditor and corporate management to assess the reliability and effectiveness of the corporation's accounting systems and internal control systems. The Audit Committee reports at least quarterly to the Board.	Yes
2.1	The majority of directors should be unrelated (independent of management and free from any conflicting interest) to the corporation;	The Pool is incorporated under a private act of the Saskatchewan Legislature and is organized as a co-operative. Class A shareholders, who must be farmers, elect delegates in eight sub-districts located in the three Prairie Provinces who, in turn, elect from their number a director from each district. There are four directors who are independent of both this election process and who are unrelated to the corporation. The delegates elect these four directors from a slate of candidates developed by the Nominating/Corporate Governance Committee and approved by the Board for recommendation to the delegates. As mandated by the financial restructuring documents, the Nominating/Corporate Governance Committee, from amongst these four directors, recommends a "Lead Director." The Board, as a whole, elects from their ranks a President and Chairman of the Board, Lead Director of the Board (who acts as Vice-Chairman), and one Vice-President of the Board. Board members are, therefore, all unrelated because management is not involved in their selection nor is any member of management appointed to the Board. Both a business relationship and Class B ownership are required of delegates by the corporation's bylaws. Once a delegate is elected as a director, the business relationship requirement is waived. However, the delegate-directors typically continue to have a business relationship with the corporation, as agricultural producers that regularly do business with the corporation and its subsidiaries. Class B ownership is also required of directors in accordance with the corporation's bylaws. Pursuant to a conflict of interest policy adopted by the Board, any director who contracts with the corporation other than in the ordinary course of their farming business or has an interest in a transaction with the corporation that exceeds a certain dollar value must treat the transaction as material, disclose it to the Board and refrain from voting on that issue.	Yes

2.2	**Disclosure of significant shareholders (ability to exercise the majority of votes to elect the directors).**	**The Saskatchewan Wheat Pool Act, 1995 specifically prohibits an individual from holding more than one Class A voting share. In addition, the corporation's bylaws stipulate that no individual or group of individuals together can own more than 10% of the issued and outstanding non-voting Class B shares.**	**Yes**
3.	Disclose for each director, whether he or she is related and how that conclusion was reached.	Terry Baker, President & Chairman of the Board, Douglas Kitchen, Lead Director of the Board, Thaddeus Trefiak, Vice-President of the Board, and Directors Ryan Anderson, Ferne Nielsen, Leonard Haukeness, Vic Bruce, Rick Jensen, Kyle Korneychuk, Herbert Pinder Jr., Gary Colter and Harold Milavsky are all unrelated. The Board considers the elected officers unrelated because, although the President and Chairman of the Board receives a salary from the corporation, the President & Chairman of the Board, the Lead Director of the Board and the Vice-President of the Board are elected annually by the Board. Management has no influence on their selection, performance assessment or compensation. All directors are elected by delegates in accordance with the provisions of the Act and bylaws of the corporation and are considered unrelated because management is not involved in their selection. The directors' only other relationship with the corporation is as shareholders and/or as elected officers, and in the case of delegate-directors, through a business relationship as agricultural producers.	**Yes**
4.1	**Appointment of a committee responsible for proposing new nominees to the Board and assessing directors on an ongoing basis;**	**As a result of the financial restructuring of the corporation, a Nominating/Corporate Governance Committee was formed with a mandate to recruit, assess and propose a slate of four directors for Board approval and subsequent recommendation to the delegates for election. Because the remaining eight delegate-directors are elected by the delegates, a committee of the Board cannot nominate these directors.** **The Nominating/Corporate Governance Committee is also responsible for developing processes to assess Board effectiveness and to consider the orientation and development needs of individual directors and the Board as a whole.**	**Partly**
4.2	Committee exclusively composed of non-management, unrelated directors.	The Nominating/Corporate Governance Committee is composed entirely of non-management, unrelated directors, at least two of whom are chosen from the slate of four directors proposed by this Committee. The Lead Director of the Board is the Chair of this Committee.	**Yes**
5.	**Implement a process for assessing the effectiveness of the Board, its committees and individual directors.**	**The corporation has implemented a process through the Nominating/Corporate Governance Committee whereby the effectiveness of its directors both as a whole and on an individual basis is assessed annually. The corporation has not, as yet, implemented a specific assessment process for Board committees, but data pertinent to committee performance is collected and analyzed through the annual board effectiveness process. Each committee, however, annually reviews its function and its terms of reference and reports directly to the Board.**	**Yes**
6.	Provide orientation and education programs for new directors.	New directors participate in a directors' orientation program and receive a directors' handbook containing information on director responsibilities, terms of reference for the Board and its committees, and Board policies and procedures. The Board reviews director responsibilities annually. The Board's Nominating/Corporate Governance Committee is responsible for establishing and administering, subject to Board approval, the Board development program that includes both general Board training activities and individual development activities. Development activities are specifically identified for new directors in this program.	**Yes**
7.	**Consider the size of the Board, with a view to facilitating effective decision-making.**	**As part of its annual review of its effectiveness, the Board considers its size with a view to facilitating effective decision making.**	**Yes**
8.	The Board should review directors' compensation in light of responsibility and risk.	The Board's Compensation Committee regularly reviews directors' compensation in light of their responsibilities and risks and provides reports to the Board.	**Yes**
9.	**Committees should be generally composed of non-management directors, a majority of whom are unrelated.**	**With the exception of the Strategic and Business Planning Committee, of which the CEO is a member, all other Committees are made up of non-management unrelated directors.**	**Partly**
10.	The Board should expressly assume responsibility for, or assign to a committee, the general responsibility for the approach to corporate governance issues including the corporation's response to these guidelines.	The Nominating/Corporate Governance Committee is responsible for developing, subject to Board approval, the corporation's approach to corporate governance issues and overseeing the corporation's disclosure relating to its corporate governance practices, including this Statement of Governance Practices.	**Yes**

11. Define limits to management's responsibilities by developing mandates for: • The Board; and • The CEO and assess against established corporate objectives.	The Board is responsible for the direction of management in accordance with statutory and regulatory requirements, the bylaws and regulations of the corporation and the Board Mandate and Statement of Authority established by the Board. Pursuant to a formal job description, the CEO is responsible to the Board for the management of the business operations of the corporation. The Compensation Committee sets, and reviews annually for Board approval, the CEO's goals and objectives, as part of the performance assessment process.	**Yes**
12. Implement structures and procedures to enable the Board to function independently of management including appointment of a non-management chair or a "lead director." The chair or lead director should have the responsibility to ensure that the Board carries out its responsibilities effectively including the Board meeting regularly without management present.	The Board, on recommendation from the Nominating/Corporate Governance Committee, elects a Lead Director from amongst the four directors mandated by the financial restructuring documents. The Lead Director of the Board is not a member of management and is the Board's primary liaison with management. The Lead Director, in consultation with the President and Chairman of the Board (who is also not a member of management), is responsible for planning the agendas and meetings of the Board and ensuring appropriate information is provided. All regularly scheduled meetings include sessions without management present. The Lead Director of the Board is responsible for communicating, as appropriate, with the CEO regarding any issues arising in these sessions. Additionally, the Board of Directors as a whole and certain committees of the Board have the freedom to obtain independent advice at the expense of the corporation when appropriate.	**Yes**
13.1 The Audit Committee of every board of directors should be composed only of unrelated directors. All the members should be financially literate and at least one member should have accounting or related financial expertise. The Board should establish and define criteria for financial literacy and expertise;	The members of the Audit Committee are unrelated and, in the opinion of the Board, also independent within the meaning of Multilateral Instrument 52-110- Audit Committees ("MI 52-110") of the Canadian Securities Administrators. The Audit Committee is composed of four directors, two of whom are selected from the directors mandated by the corporation's financial restructuring documents. In determining which directors will sit on the Audit Committee, the Nominating/Corporate Governance Committee is cognizant of the financial literacy requirements of MI 52-110. The Chair of the Audit Committee and one other member are chartered accountants with requisite risk management expertise. It is the corporation's intent that any director being considered for the Audit Committee will, where necessary, be provided with financial training designed to meet the financial literacy requirements.	**Yes**
13.2 Establish an Audit Committee with a specifically defined mandate;	The roles and responsibilities of the Audit Committee are specifically defined in the Audit Committee Charter, which is reviewed and approved by the Nominating/Corporate Governance Committee and the Board annually. The Committee's mandate includes, but is not limited to, ensuring that the external auditor understands their accountability to the Board, assessing the performance and independence of the external auditors, approving the selection of the internal auditor, evaluating the internal audit plan and the results of the external and internal audits, reviewing and recommending for approval the corporation's quarterly and annual financial statements and management's discussion and analysis, and reviewing and evaluating critical areas of risk for the corporation.	**Yes**
13.3 The Audit Committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate;	Pursuant to its mandate, the Audit Committee holds sessions with the external and internal auditors without management present on a quarterly basis. The Audit Committee annually reviews all non-audit work performed by the external auditors in order to determine if there is any impact on the external auditors' objectivity and independence. The Chair of the Audit Committee has direct access to both internal and external auditors as required.	**Yes**
13.4 The Audit Committee duties should include oversight responsibility for management reporting on internal controls.	The Audit Committee is responsible for obtaining reasonable assurance from management, the external auditors and the internal auditor that the corporation's accounting systems and internal control systems are reliable, effective, and comply with authorities.	**Yes**
14. Implement a system to enable individual directors to engage outside advisors at the corporation's expense subject to the approval of an appropriate committee.	Individual directors may engage outside advisors at the corporation's expense with the authorization of the Nominating/Corporate Governance Committee.	**Yes**

The Pool's Board of Directors

A Terry Baker 3*CHAIR, 4, 5, 6
President and Chairman of the Board

Terry Baker has served on Saskatchewan Wheat Pool's Board of Directors since 2001. He is a member of the Saskatchewan Beef Marketing Deductions Board and Chairman of Denzil Credit Union Ltd. He holds a civil engineering degree from the University of Saskatchewan. His family operates a mixed farm near Denzil, SK.

B Douglas Kitchen 2*CHAIR, 3, 5*CHAIR, 6*CHAIR
Lead Director and Vice-Chairman

Douglas Kitchen of Nashville, Tennessee, is Managing Director of Rosenthal Collins, a major futures clearing and execution firm and foreign exchange dealer in Chicago. He joined the Pool's Board in July 2000 as an outside advisor. Mr. Kitchen is Vice-Chairman of the Board of the National Futures Association, the regulatory agency for the futures industry in the United States. He is a graduate of Kansas State University with specialties in agriculture and business.

C Thad Trefiak 3, 4
Vice-President

Thad Trefiak has served on Saskatchewan Wheat Pool's Board of Directors since 1999 and was elected Vice-President in April 2001. As Vice-President, he represents the Pool on the boards of several industry organizations, including the federal Agriculture Minister's National Safety Nets Advisory Committee and as an Executive Committee board member of the Canadian Federation of Agriculture. He graduated at the top of his class from the University of Saskatchewan's School of Agriculture and completed the Executive Development Program for Agri-Food Professionals at the University of Guelph in 2002. Mr. Trefiak's family operates a purebred beef and mixed grain farm near Leross, SK.

D Ryan Anderson, Director 1

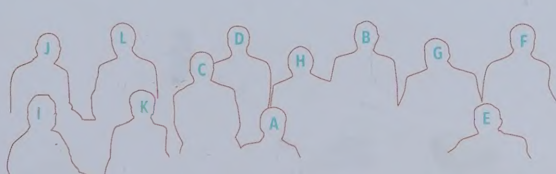
Ryan Anderson has been a member of Saskatchewan Wheat Pool's Board of Directors since 1998. He is the Pool's representative for The Co-operators and for the Centre for the Study of Co-operatives at the University of Saskatchewan. He is a graduate of the University of Saskatchewan, where he received his Diploma in Agriculture. His family operates a grain, oilseed and pulse crop farm near Melfort, SK.

E Vic Bruce, Director 2

Vic Bruce has served on Saskatchewan Wheat Pool's Board of Directors since the fall of 2002. He has served on various boards, including the Farm Land Security Board. He is the Pool's representative for the Western Grains Research Foundation and for Federated Co-operatives Ltd. Mr. Bruce is a graduate of the University of Calgary, where he obtained a Bachelor of Education degree, majoring in Economics. His family operates a farm specializing in pedigree seed production near Tuxford, SK.

F Gary Colter, Director 1*CHAIR, 6

Gary Colter is President of CRS Inc., a corporate restructuring and strategy management consulting firm based in Toronto. Prior to forming CRS, he had a distinguished 34-year career with KPMG, including 11 years as a Vice-Chairman of KPMG Canada and 2 years as Managing Partner, Global Financial Advisory Services for KPMG International. Mr. Colter is also a director of CIBC and of Owens-Illinois, Inc. He is a graduate of the Ivey School of Business at the University of Western Ontario.



G Leonard Haukeness, Director 5

Leonard Haukeness was elected to the Saskatchewan Wheat Pool's Board of Directors in April 2004. He earned his Bachelor of Science degree from the University of Saskatchewan, specializing in agricultural engineering. Mr. Haukeness has served with various organizations and has been a director of the Estevan Co-op since 2000. His family operates a grain farm near Estevan, SK.

H Rick Jensen, Director 2

Rick Jensen has served on the Saskatchewan Wheat Pool's Board of Directors since March 2004. He has served on various local and provincial boards and in associations such as the Saskatchewan Soil Conservation Association. He is also the Pool's representative for the Saskatchewan Co-operative Association. Mr. Jensen received his Diploma in Agriculture from the University of Saskatchewan and operates a mixed farm near Webb, SK.

I Kyle Korneychuk, Director 1

Kyle Korneychuk was elected to the Saskatchewan Wheat Pool's Board of Directors in March 2004. He completed his Bachelor of Science degree at the University of Saskatchewan, specializing in chemistry. Mr. Korneychuk has participated in provincial and inter-provincial grain rail initiative committees and in the agricultural policy area. His family operates a grain operation in the Pelly/Stenen, SK region.

J Harold P. Milavsky, Director 1, 5

Harold P. Milavsky is Chairman and Director of Quantico Capital Corporation and a former Chairman and CEO of Trizec Corporation. He has served on numerous public and private boards in the energy, real estate and financial sectors. Mr. Milavsky is a graduate of the College of Commerce at the University of Saskatchewan and is a member of the Institute of Chartered Accountants of Saskatchewan and Alberta. He has received honorary doctorates from the universities of Calgary and Saskatchewan. Mr. Milavsky resides in Calgary, AB.

K Ferne Nielsen, Director 4*CHAIR

Ferne Nielsen was elected to the Saskatchewan Wheat Pool's Board of Directors in 2000. She is the Pool's representative and an Executive Committee Member on the Board of the Canadian Co-operative Association. Ms. Nielsen has served as a Director of the Saskatchewan Crop Insurance Corporation and the Saskatchewan Opportunities Corporation and is currently a member of the Farm Land Security Board. Her family operates a mixed farm at Turtleford, SK.

L Herb Pinder Jr., Director 2, 3, 4

Herb Pinder is President of the Goal Group of Companies, a Saskatchewan-based management, investment and sports representation business. He is the former President of Pinders Drugs and is an experienced Director, having served on the boards of public and private businesses, as well as Crown corporations and non-profit organizations. A non-practising lawyer, Mr. Pinder holds an MBA from Harvard Business School. He lives in Saskatoon, SK.

Committees:
1 Audit
2 Compensation
3 Executive/Management
4 Member Relations/Communications
5 Nominating/Corporate Governance
6 Strategic and Business Planning

Senior Officers of the Company

Mayo M. Schmidt
Chief Executive Officer

Wayne Cheeseman
Chief Financial Officer

Francis J. Malecha
Senior Vice-President,
Grain Group

Doug Weinbender
Vice-President,
Agri-Products

Karl J. Gerrand
Vice-President, Saskatchewan Wheat Pool
and President, Can-Oat Milling Inc.

E. Richard Wansbutter
Vice-President,
Commercial Relations

Ray Dean
Vice-President,
Democratic and Legal Services
and General Counsel/Corporate Secretary

Lyn L. Kristoff
Vice-President,
Finance and Corporate Controller

Paula Duguid
Vice-President,
Business Planning and Development

David Reinboth
Vice-President,
Human Resources

Colleen Vancha
Vice-President,
Investor Relations and Communications

Grant P. Theaker
Treasurer

INVESTOR RELATIONS AND COMMUNICATIONS

INQUIRIES

Colleen Vancha, Vice-President,
Investor Relations and Communications
Telephone (306) 569-4525
e-mail investor@swp.com

Visit us at www.swp.com

Saskatchewan Wheat Pool
2625 Victoria Avenue
Regina, Saskatchewan S4T 7T9

Shareholder and Investor Information

CAPITAL STOCK

The company's authorized capital consists of an unlimited number of Class A voting shares and Class B non-voting shares. Class A shares are held by farmer-members, are not eligible for dividends, and have a $25 par value. Class B shares participate in earnings and are traded publicly on the Toronto Stock Exchange. An individual or entity may not own more than 10% of the total number of issued Class B shares. As at July 31, 2004, 71,326 Class A shares and 232.2 million Class B shares were issued and outstanding.

CODE OF BUSINESS CONDUCT

Saskatchewan Wheat Pool enhanced its Code of Business Conduct during fiscal 2004. A copy of the Code is available on its website www.swp.com, in the Investor Relations section, under Corporate Governance.

COMPANY REPORTS

Those who would like to receive quarterly reports may return the reply card accompanying this report or may contact the Pool's Investor Relations and Communications Division at (306) 569-4859. Annual Reports, quarterly reports, and press releases are also available on the company's website at www.swp.com or by calling the Investor Relations and Communications Division. Additional information including Saskatchewan Wheat Pool's Annual Information Form, is available without charge, upon request, to Class B shareholders.

MEMBER LOAN PROGRAM

Pool employees and Class A shareholders who reside in Saskatchewan may loan funds on a term or demand loan basis to the Pool through its Member Loan Programs. For more information, please contact Member Programs at 2625 Victoria Avenue, Regina, Saskatchewan, S4T 7T9 or call toll free in Canada 1-800-797-9920.

SHARE TRANSFERS/LOST CERTIFICATES

Please direct communications concerning share transfer requirements and lost certificates to the company's transfer agent, Computershare Investor Services Inc.

TRANSFER AGENT

Computershare Investor Services Inc.
600-530 8th Avenue SW
Calgary, Alberta T2P 3S8
Toll Free: 1-866-997-0995
email: service@computershare.com
website: www.computershare.com

CORPORATE OFFICE

Saskatchewan Wheat Pool
2625 Victoria Avenue
Regina, Saskatchewan S4T 7T9
Telephone (306) 569-4411
Fax (306) 569-4708

LEGAL COUNSEL

Balfour Moss
Barristers and Solicitors
Regina, Saskatchewan

MacPherson Leslie & Tyerman LLP
Barristers and Solicitors
Regina, Saskatchewan

AUDITORS

Deloitte & Touche LLP
Regina, Saskatchewan

These securityholder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and the issuer or its agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

The Pool's path to performance
is defined by four strategic priorities and
a pipeline approach that provides opportunities
for customer interaction, growth and profitability
at every stage of agri-business.

POOL

www.swp.com